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# FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW



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*October 1934-July 1935*

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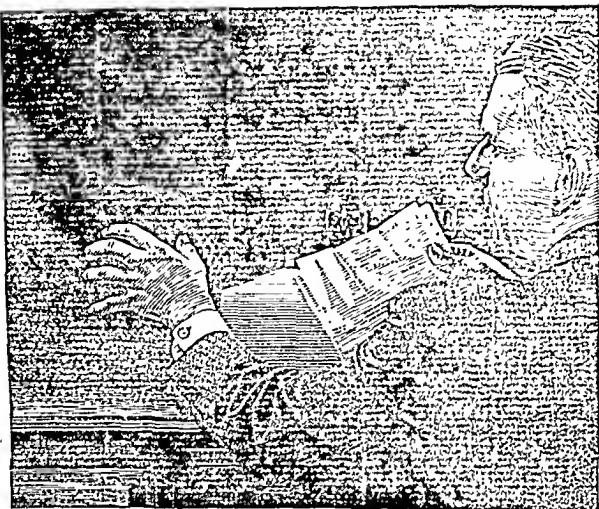
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The Editors



# FOREIGN AFFAIRS

Vol. 13

JANUARY 1935

No. 2

## RECOVERY

*By Willard L. Thorp*

**E**CONOMIC data make dull evening reading. But they nevertheless record the acts of a drama, a motion picture, a mystery plot, with full sound and color.

Thus it is an exciting fact that industrial production in the United States rose 48 percent from March 1933 to May 1934, but lost half this gain during the next two months. During the same sixteen months' period, production in France fell 9 percent; wholesale prices in the United Kingdom advanced 11 percent but in Italy declined 4 percent; the number of unemployed decreased 29 percent in Canada but increased 5 percent in Poland. Wheat recently was \$0.50 per bushel in Sydney, Australia, and \$2.00 in Milan. The interest rate on commercial paper is 0.72 percent in Amsterdam and 4.38 in Tokyo. The police are closing retail meat markets in Germany, where prices have advanced contrary to government regulations, while the Winnipeg Grain Exchange has fixed minimum prices for wheat.

Such is the bewildering stuff of which present world economic history is being made. Many pieces of the puzzle are missing, and even could we fit together those which we have, much of the real picture would still be left to the imagination.

The platitudinous say that we are in a new and rapidly changing world, full of economic experimentation. But "experiment" is not quite the right word, for to the scientist that term has definite implications of controlled conditions and detailed observation. One sad aspect of the present era is that, partly because of carelessness and partly because of the complexity of the situation, the so-called experiments will create more controversies as to their real effects than they will contribute in demonstrable principle.

Perhaps most specific social experiments are equally difficult to evaluate. However, in this particular instance all the usual troubles of inadequate data and shortsightedness as to perspec-

The direction is clearly upwards. But there appears to be little uniformity among the various countries, either in terms of the degree of the decline or of the extent of the recovery. This may be due in part to the character of the indexes, but it is caused in greater degree by the different characteristics of the countries concerned and the divergence of their economic policies. While Japan at no time after 1932 fell below her 1928 level, at least four countries approximated a cut to one half the 1928 rate of production. The United States is squarely in the middle of the picture as far as the degree of recovery is concerned. However, inasmuch as its decline was so great it is among those furthest from the 1928 level at the present time. The record would have been much more cheerful if it had been taken in the spring of 1934, for several of the countries have slumped badly since then. The United States index fell 17 percent in two months. During the same period, production in the Netherlands declined 15 percent, and in France has dropped 14 percent since the peak in July 1933.

## III

Of particular importance from the social point of view is the record of unemployment. In this field statistics are in general more reliable, for many countries obtain some form of fairly exact data either through unemployment insurance statistics or trade union records. It should be understood, however, that the different methods used in making the figures are not strictly comparable. Because of the seasonal variation, which is extremely wide in some countries, comparison has been made in the following table between August 1932 and the same month in 1934.

## PERCENTAGE CHANGE IN UNEMPLOYMENT, AUGUST 1932 AUGUST 1934

<i>Name of Statistic</i>		<i>Percent Change</i>
Germany	Employment Exchange Register	-54
Australia <sup>a</sup>	Trade Union Returns	-39
Sweden <sup>b</sup>	Trade Union Returns	-31
United Kingdom	Compulsory Unemployment Ins. Statistics	-25
Japan <sup>c</sup>	Official Estimate	-21
Canada	Trade Union Returns	-16
United States	Trade Union Returns	-12
Italy	Ministry of Corporations	-8
Belgium	Voluntary Unemployment Ins. Statistics	-7

<sup>a</sup> End of June 1932 to end of May 1934.

<sup>b</sup> End of July 1932 to end of July 1934.

<sup>c</sup> End of April 1932 to beginning of May 1934.

Netherlands	Employment Exchange Statistics	- 6
Switzerland <sup>4</sup>	Compulsory or Optional Insurance Statistics	- 3
Austria	Employment Exchange Statistics	- 2
France	Employment Exchange Statistics	+ 20
Czechoslovakia	Employment Exchange Statistics	+ 24
Poland	Employment Exchange Statistics	+ 35

<sup>4</sup> End of January 1932 to end of January 1934.

Germany and Poland appear to have been far out of line. In both cases the percentages are explained primarily by the special situation existing in those countries in 1932. In Germany, about one-third of all workers were unemployed at that time; thus, despite the outstanding percentage improvement, the number of unemployed is still high. Poland, on the other hand, had a relatively small volume of unemployment in 1932, the year taken as a base.

The three centers of most severe unemployment during the depression have been the United States, Germany and the United Kingdom. In the spring of 1933 these three countries alone had a total of about 20.5 million unemployed. By August 1934, this was reduced to approximately 15.0 millions. These figures do not make allowance for those given employment in German labor camps, nor for those in the United States assigned to Conservation Corps Camps or engaged on Federal Employment Relief projects. All available evidence reveals persistently high records of unemployment in nearly every country. While there has been a very real gain during the last year, the gradual exhaustion of individual resources has greatly aggravated the problem of relief.

#### IV

Another set of figures usually regarded as indicating improvement or the reverse is that registering the behavior of wholesale prices. Prices presumably move upwards as business conditions improve. In the past, there has been a decided tendency for price levels to record fairly parallel movements in the various countries. But in recent years, with varying currency-credit policies, and with national barriers so high and foreign trade so low that domestic markets have become increasingly isolated, there have been wide divergences. In connection with the following table showing the percentage change in wholesale prices from 1932 to the latest available month, the statistician must give his usual

ceptance of government responsibility for relief of the unemployed Unemployment insurance (presumably entirely or in large part self supporting) or private or local charity had been the traditional and accepted means of meeting this problem But such methods were not adequate to carry the extraordinary burdens placed upon them by the depression Without government intervention, the "natural forces" which would have come into play would have been starvation or revolution, one or the other

Likewise well nigh universal in its acceptance is the use of public works programs as a positive force for improvement With private enterprise stagnant, particularly in the durable goods industries, and with large sums of credit available in the banks, most governments have embarked upon large-scale public undertakings Similarly, extensive aid has been given to the work of improving housing conditions, often in cooperation with private funds Had private agencies borrowed these funds to increase productive capacity, even though the capacity were not actually required, there would have been little criticism even from the most conservative of observers But the entrance of public enterprise, even though the money be spent for socially desirable projects, causes much head shaking Such projects have been adopted for the double purpose of providing relief to the unemployed and again starting enterprise by putting funds into circulation Even the gold bloc countries, where deflation is the logical keynote, have adopted public works programs France voted 10 billion francs for the purpose last July, while Italy embarked on public works activities early in the depression

There has been much variation in different countries in the character of the aid given to the several branches of industry in order to speed recovery But in all there seems to be agreement in stressing the problems of agriculture In part this may be due to evaporation of the idea that industrialists are possessed of some magic to solve all economic problems, but to a much greater degree it rests on the farmer's return to political significance Whatever the reason, policies intended to increase agricultural prosperity — the imposition of tariffs, quotas, subsidies, bounties, processing taxes and the like — have been adopted very generally

The point at which differences in policy among the nations have been most strikingly displayed is in connection with monetary matters While most of the world has abandoned the

gold standard, at least for the time being, a small group of countries has continued to employ gold as a currency base. The significance of this particular fact has been greatly overemphasized. Indeed, a case could be made out for the thesis that Great Britain and the United States are more nearly on the gold standard than France or Italy, using the term "gold standard" as signifying primarily the normal and regular functioning of foreign transactions without limitation or restriction. Both the United States and Great Britain apply no restrictions to their exports, have no limitation on trade in foreign exchange, and do not interfere, except indirectly and inexactly through customs duties, with the movement of goods by any such method as quantitative limitation. These elements of freedom are more important to the functioning of international economic relations than the formal use of gold as a currency base in the midst of rigid trade and exchange controls.

The real significance of the departure from gold lies in the larger policy of which it is a part. A considerable part of the world is at present committed to the attempt to encourage industry by liberal credit, to "prime the pump" with expenditures for public enterprise, and to relieve the debt burden and stimulate activity by raising prices. To that end, banking systems have been supported, credit has been made plentiful and interest rates have been kept low, gold has been abandoned as a currency base, and governments have introduced currency into circulation by various spending programs. Certain countries have not accepted this program, but have preferred to follow the paths of deflation. The failure of those countries to participate strongly in the revival is some indication of the immediate effectiveness of the expansionist policies.

One dark side of the world picture is that the preoccupation of most countries with their internal difficulties has led to chaos in the international field. Upon the difficulties caused by fluctuations in foreign exchange have been piled higher and more sophisticated forms of trade barriers. Bilateral trade agreements have pierced the walls at some particular points, but frequently have accomplished nothing except to shift trade to less economic channels. There can be little doubt that the spreading use of quota limitations is a most effective way of destroying trade. In this particular sphere of economic activity there is little encouragement to be found in the policies of most countries. And the possibility of any



would be restricted, were all islands appertaining to Japan proper, while the United States and Great Britain were to be bound regarding such far-flung colonial possessions as the Philippines, Guam and Hong Kong. That the above criticism is not wholly unreasonable cannot be denied. But it is equally true that this restriction on naval bases has had the beneficial influence of preventing the occurrence of provocative incidents among the Powers concerned during the past fourteen years. To that extent it may be said that the agreement has made a contribution to peace.

Such were the circumstances under which the 5:5:3 ratio was determined. Our people, dissatisfied with it from its very inception, have come to look upon it today as a stigma of inferiority which hardly tends to sustain Japan's position in the Far East. And their dissatisfaction is keen, for they consider that this ratio deprives Japan of arms necessary for the execution of her national policy of maintaining peace in the Orient and jeopardizes her sense of national security. On the other hand, however, we recognize that the suspension of capital ship construction greatly reduced naval expenditures. Thus in the case of Japan it cut down the naval budget from 500,000,000 yen to approximately 300,000,000 yen. It may therefore be said that the Washington Naval Treaty had the beneficial effect of preventing a race in armament construction, at least temporarily. But since the restrictions of that Treaty gave rise to a deficiency in our national defense, the Japanese Navy undertook to supplement this deficiency by augmenting its force in auxiliary vessels.

The London Naval Treaty of 1930 was concluded with the idea of supplementing the Washington Treaty. The new Treaty provided for limitations upon auxiliary vessels, in addition to extending the ten-year holiday in capital ship construction for a further period of six years; but since it was ratified only by the United States, Great Britain and Japan, it is binding only upon these three Powers.

Japan's three main contentions at the London Conference were for the following: A 7:10 ratio in the global tonnage of auxiliary vessels; a 7:10 ratio in 8-inch-gun heavy cruisers; 78,000 tons of submarines, irrespective of the submarine tonnage of other Powers.

The above contentions were made in pursuance of the policy of our navy to use auxiliary ships to make up the deficiency in capital ships. But as it turned out, all we got out of the London Conference was 60 percent in 8-inch-gun heavy cruisers, 52,000

As for Great Britain, she already has the Singapore base, and in view of the traditional friendship so long maintained between her and Japan, the idea that she might be contemplating the addition of any extraordinary military establishments in the vicinity of our country must be dismissed as impossible. It may therefore be said that the treaty provisions relating to fortifications and bases have little or no practical bearing on the actual situation.

To the South Sea mandated islands we of course attach the greatest importance, for they constitute Japan's line of defense on the seas and would, if allowed to fall into the hands of another Power, become a very real and formidable menace to our security. But Japan, in strict compliance with the terms of treaty provisions relating thereto, has scrupulously refrained from constructing any fortifications or bases on these islands.

Japan has made considerable progress during the past forty years. Prior to the Russo Japanese War, numerous bases were held by foreign Powers in close proximity to Japan. Russia had Port Arthur and Vladivostok, England had Weihaiwei and Hong Kong, and Germany had Shangtung. Today the situation is considerably changed. Russia occupies only Vladivostok, Britain is in Hong Kong, and Singapore, and the United States is in the Philippines. The result is that our navy's freedom in its sphere of activity has been somewhat enhanced.

The Manchurian incident took the world by surprise and caused it to focus its critical attention in our direction. But perhaps the manner in which our interests in Manchuria came into existence is worthy of more than passing consideration. The Sino Japanese War was fought forty years ago, and it must be a fact self-evident to all students of Oriental history that it took no small measure of courage for Japan at that time to declare war on its overwhelmingly larger neighbor. Although Japan won a decisive victory, the choicest part of the spoils of that war was snatched out of her hands by foreign intervention. Ten years later we were engaged in another war, this time with Russia, and this was a war which the whole Japanese nation did its utmost to avoid, but in vain. For Japan this was a purely defensive war in which she staked her very destiny as a nation.

It was through life and-death struggles such as these that Japan gradually built up her position in Manchuria. But the warring factions in China deliberately ignored the tremendous price which Japan had paid for her Manchurian interests and began to

devote themselves to campaigns of usurpation in the north. It is therefore to be hoped that those who would study the Manchurian incident and the subsequent development of events in that region will read carefully the history of the past half century. Only by so doing, and by giving due consideration to the part Japan has played as the preserver of peace in the Orient, and to the costly sacrifices she has made in the performance of that rôle, will a student be able to see the facts in their true light.

Japan's actions in Manchuria were animated by the firm conviction of her people that they were righteous and just. And they are naturally gratified to observe that in consequence of their action Manchukuo is now steadily acquiring the attributes of an independent nation. As a result, the machinery of peace has been strengthened in that region to such an extent that the chances of peace being seriously disturbed is now gradually diminishing. The fact that Japan was able to prevent the outbreak of a widespread conflagration, notwithstanding the numerous incidents which have occurred during the last few years, has been due in no small measure to her navy; and the Japanese people are coming to recognize more and more that the navy is an important factor in the maintenance of peace.

Order has at last been restored in Manchuria, and the various disturbances which were created by the Manchurian question are now quieting down. But today, before we have had time to forget the painful experiences of the immediate past, we have come face to face with the question of the naval treaties. Here it should be pointed out that the desire is strong among our people that Japan should be freed from all disadvantageous treaty restrictions at the coming disarmament conference. The feeling is so strong that this period is being termed a national crisis. For in Japan, as probably in other countries the world over, nationalistic sentiment is today asserting itself most vigorously.

There is a guiding spirit in Japan by which her every action must be ordered. There is a righteous path along which Japan must progress in order to maintain peace in the Far East and contribute thereby to the advancement and happiness of all mankind. That this path should be beset with innumerable difficulties is of course inevitable; but it is only through meeting and conquering obstacles that a nation can attain its full stature, for as the old proverb goes, a victim of adversity is but strengthened thereby. This may well apply also to the United States which has

# AFTER THE ASSASSINATION OF KING ALEXANDER

*By Har'lon Fish Armstrong*

THE Croatian and Macedonian terrorists who thought that by removing King Alexander they could break up the Yugoslav state and give "freedom" to Croatia and Macedonia like their patrons in neighboring countries who played upon their fanaticism, ignorance and cupidity, saw in the King's visit to France an opportunity to carry out their long planned plot. They saw also that it was almost the last moment when the execution of the plot might conceivably accomplish the results they desired.

To their dismay, King Alexander's prestige had been augmenting during the past two years, both at home and abroad. As long ago as 1927 Poincaré spoke to me of King Alexander as "one of the few statesmen of Europe." But not until recently did it begin to be generally recognized that he possessed political talents of the first order. This increase in prestige had come mainly from his patient handling of a series of difficult and dangerous international situations. He had helped strengthen the Little Entente, and had held it firm in the face of Italy's ambition to exercise the balance of power in continental Europe, between Germany and France, by increasing the weight of the discontented states at the expense particularly of the Little Entente. This ambition had been revealed in Italy's vigorous championship of treaty revision and her efforts to secure guardianship over Austria rather than participate in a general guaranty of Austrian independence or see Austria established as a self-reliant member of a Danubian economic confederation. He had succeeded in bridging the gap with Bulgaria, and as a result the rival Macedonian bands which had been plaguing the Bulgarian Government and using its territory as a base for operations in South Serbia had at last been broken up and scattered. He had made the experiment of paying a visit to Ankara, and had impressed Mustafa Kemal by his directness and vigor. This had helped make it possible for him to forward the project of a Balkan Entente without alienating Bulgaria, thereby, to Italy's disgust, securing the collaboration of Turkey and Greece in the maintenance of the doctrine of "the Balkans for the Balkan peoples." He had

held his nerve through the trying period when Italy was establishing her suzerainty over Albania; and in the end had been justified by seeing Italian influence there wane coincidentally with the decrease in Italy's subventions to her puppet-king, Zog the First. He had welcomed M. Barthou in Belgrade; and, taking advantage of Italy's belated realization that she would have hard work keeping Germany forever out of Austria single-handed, the two statesmen had planned together the first steps of a three-cornered Franco-Italo-Yugoslav rapprochement.

M. Barthou and King Alexander hoped that the rapprochement might be founded on Italy's acceptance, at long last, of the territorial *status quo* in the Danube valley and the Balkans, in exchange for French concessions regarding the position of Italians in Tunis, rectifications of the Libyan frontier, territorial concessions facilitating Italian projects in Abyssinia, and, finally, Yugoslavia's guaranty, mutually with Italy, of the independence and territorial integrity of Albania. The last would have safeguarded Italy's need for free passage of the Straits of Otranto, even though it did not satisfy fascist dogma that the Adriatic must be an Italian lake. But Italy's acceptance of the proposed agreement would have meant the cessation, for a time at any rate, of her prolonged effort to keep the Central European situation fluid until she could secure a special political and commercial position in Austria and with it a bridge to Hungary.<sup>1</sup>

<sup>1</sup> Recent instances of this Italian policy: 1. The failure in 1931, before German and Italian opposition, of the Tardieu Plan for a general Danubian economic confederation. 2. Italy's proposal that the Four Great Powers assume responsibility, over the head of the League of Nations and hence without the participation of the Little Entente Governments, for decisions regarding treaty revision, disarmament and equality of rights, specific reference being made in the original draft of the Four Power Pact handed Ramsay MacDonald by Mussolini on March 18, 1933, to the situation of Austria, Hungary and Bulgaria. 3. Mussolini's insistence in his talks with Dollfuss at Riccione in August 1933 that Dollfuss destroy Austrian socialism, one of the two principal Austrian bulwarks against Anschluss with Nazi Germany, but also the chief Austrian force opposed to Italian tutelage and the establishment of fascism in Austria. (This was a sequel to the Hirttenberg affair, in which the Austrian Socialists revealed that Italy was secretly arming Hungary. The "clean-up" of Austrian democracy finally occurred February 12, 1934.) 4. The Italian memorandum of September 29, 1933, which rejected the idea of a Danubian economic confederation and proposed bilateral commercial agreements, preferential treatment for Danubian agricultural produce, preferential treatment for Austria's industrial output, and preferential treatment by the Danubian states for imports from other states which purchase more in the Danubian area than they sell there. (The scheme departed from the Stresa proposals in favoring Austrian at the expense of Czechoslovak industry; and it promised important advantages to the commerce of Italy, the only nation not having a favorable balance of trade with the preferred states.) 5. The Rome Protocols of March 17, 1934, establishing a special economic relationship between Italy, Austria and Hungary. 6. The successful effort of Italy's delegates at Geneva, in September 1934, to prevent the adoption by the League of a resolution giving a new and general guaranty of Austrian independence, and the substitution of a colorless endorsement by Great Britain, France and Italy.

King's advisers had been at work, under his direction, on a project of law considerably broadening the jurisdiction of the banovinas; that it was the King's intention to introduce this new law in Parliament soon after his return from France; and that he would not have been particularly distressed if some of the political members of the cabinet had opposed it, for that would not have prevented its adoption and would have afforded a suitable opportunity for completing the process of retiring the "old guard" from all posts of high responsibility in the government.

In the domestic field, then, as well as from the international point of view, if the murder of King Alexander were to provoke really disastrous consequences for the Yugoslav state, it could not longer be delayed. An attempt to kill the King during his visit to Zagreb in December 1933 had been foiled, and the warmth of his reception in the old Croatian capital had in itself constituted a political fact which opponents of the régime had to take into account. The confession of the would-be assassins on that occasion that they had been trained for the task in émigré camps in Italy did not save two of them from execution.<sup>2</sup> The plot to kill the King at Marseilles was better planned, and was favored by the inexplicable failure of the French police to provide the most elementary protection.

The Marseilles assassins struck a blow at the Yugoslav union and a blow at the post-war structure of Europe. They succeeded in killing King Alexander, and with him his friend and collaborator, M. Barthou. But they failed to achieve their real objectives. The admirable sang-froid of the Yugoslav government and people, and the strong will to peace which still prevails in a number of European capitals, permitted the Continent to weather the blow as it had not been able to weather that struck at Sarajevo twenty years before. And as the world watched the funeral train pass

<sup>2</sup> For an account of the trial of Oreb, the man assigned to make the attempt at Zagreb, and of two of his accomplices, see the daily press of Belgrade and Zagreb during the course of the trial, March 19-24, 1934, when the testimony of the accused was printed verbatim. They confessed that they had been trained in Italy, at Borgotaro and Vischietto, where there were camps of 50 or 60 Croat and other émigrés belonging to Dr Ante Pavelitch's terrorist organization "Ustacha." There they had lived in barracks, worn uniforms and learned to drill, shoot, tap telephone wires and throw bombs. Of much interest, in view of later events, was Oreb's statement that the training camp in Italy was often visited by Dr Pavelitch, Dr Milo Budak, Pertchevitch, Dr Gustav Perchetz, and others of the "Ustachis" whose names since Marseilles have become well known. No comment on the revelations made at the trial ever appeared in the Italian press, nor did the Italian Government make any protest or denial concerning the confessions and allegations brought forward in circumstantial detail in public court. For recent light on the case, with photographs of the camps at Borgotaro and Vischietto, see *Vreme*, Belgrade, October 24, 1934.

slowly through weeping crowds, from one edge of the land almost to the other, it wondered whether the King by his death might not have established even more firmly than he could in life the unity of the Yugoslav state and the determination of the Yugoslav people that no power should rob them of that unity, bought dearly in a century of struggle and now sealed with the blood of the great-grandson of their first national leader.

## II

Something must now be said about the origins of King Alexander's dictatorship. Most Americans and West Europeans are instinctively opposed to a dictatorial form of government, not merely because of the toll it gradually takes in a people's intellectual and moral fibre, and because it lends itself to adventurous foreign policies, but because it has no satisfactory exit. It seems bound to end either in a chaotic struggle for power, or at the best — and this may be the case in Yugoslavia today, because it is a comparatively small and backward country — in a period of dangerous uncertainty as to what forces and persons are to direct the necessary reorganization and chart the new paths, domestic and foreign.

Alexander did not become a dictator because he was avid for personal power, or because he was vainglorious, or because he dreamed of pursuing a policy of prestige and national expansion. His father had translated Mill "On Liberty" into Serbian; and he himself had been reared on principles of individual and national freedom. He did not imagine that he was founding an original philosophy of government, or that the government forms which he adopted were anything but the best that seemed available at the moment. He had nothing in common with the dictatorial demagogues of post-war Europe who grimace or shriek. He had no high-pressure advertising agents and no propaganda machine for hurling his opinions through the ether upon the ears of his subjects and neighbors. There was nothing theatrical or meretricious about him, either in appearance or action. He simply had come reluctantly to the conclusion that there could be no further delay in clearing the government of financial scallawags and party hacks, most of them veterans either of the little pre-war Serbian political arena or of party life in the Yugoslav provinces of the old Hapsburg Empire where obstructionist tactics formed the sum total of political activity. There were some

as the Croat deputies were present, and there were grounds for hoping that in course of time, perhaps as various intransigent or erratic leaders disappeared naturally from the scene, national parties would evolve to take the place of the sectional parties and the groups formed around autocratic personalities. To that hope the murder of Raditch seemed to put an end.

As the situation went from bad to worse King Alexander came to the conclusion that bold action alone could forestall the actual dissolution of his young country, the various sections of which, though of the same race, had received very different sorts of training and were quite unbroken to the give and take of family life. In a conversation some months earlier he had told me that he was determined at any cost to prevent the break up of the country due to the inability of the Constitution and Parliament to compromise discordant interests and safeguard the rights of various sections. He added that if ever he felt compelled to act he would proceed on his own responsibility and would avoid either a military dictatorship or a dictatorship by party or sectional leaders. But before he felt impelled to drastic action an opportunity arrived for a further attempt to conciliate Raditch's successor as head of the Croat Peasant Party, a small town lawyer named Dr Vlatko Matchek, an honest but *borné* man, and his colleague Svetozar Pribitchevitch, a prominent Serb from Croatia who had recently joined the Croatian opposition.

The King was encouraged to believe that a fresh effort was justified because Mr Davidovitch, the leader of the Democratic Party, one of the component elements in the coalition cabinet of the day, told him that the latest Croat demands had been communicated to him and that they were not unreasonable. Davidovitch said that as the Croats would not negotiate officially with the existing cabinet, he intended to bring about the cabinet's fall by proposing (a demagogic measure) to indemnify the peasants for recent bad crops, even though no resources were in hand to permit such a cash disbursement. His idea seemed to be that during the ensuing elections he could make peace with the Croats, that the slogan of a bonus for the peasants would win him wide support, and that he then would form a cabinet with the Croats as partners. The King requested Davidovitch to avoid provoking a cabinet crisis until after the new budget had been adopted, but he refused. When the cabinet actually fell, the King according to parliamentary custom sent for all the party chiefs. Among these,



of course, were Matchek and Pribitchevitch. Here was the occasion for a final effort to persuade these leaders to recognize the national government and return to parliamentary life.

With Pribitchevitch, as a matter of fact, the King could have little commerce. He had joined the Croatian opposition after running with lightning rapidity through every shade of political opinion, at one moment calling for Raditch to be hung, the next clasping him to his bosom — a man of energy, mercurial temper and a strange combination of fanatical patriotism and an egoism which led him to identify his personal well-being with the well-being of the state.<sup>6</sup> His ambition was to form a patriotic front on fascist lines; and the King had no intention either of pursuing a violently nationalistic foreign policy or of playing a Victor Emmanuel to the strutting of a Mussolini from Croatia. But with Matchek the King talked earnestly for two days. Not long thereafter the King gave me an account of those conversations and an exact description of the demands posed by Matchek, reading them to me from the entries which he had made in his diary in Matchek's presence. Incidentally, the demands harmonized with what I had previously been able myself to ascertain in talks with Matchek, though they now were expressed in much more detail and with solemn finality.

The demands put forward by Dr. Matchek in his talks with King Alexander on January 4 and 5, 1929, were of historic importance, because they led directly to the royal *coup d'état* of January 6. In their first conference the King asked Matchek to state the Croatian *sine qua non*. In reply, the Croat leader demanded that elections be called at once for a Constituent Assembly to draw up a new Constitution. The King must agree, he said, that under that Constitution the country would be divided into seven states with "historic frontiers," each with a separate legislature and a separate administration.<sup>7</sup> Delegations from these state legislatures would meet at Belgrade to supervise foreign relations. But the control of education, commerce (except foreign), finance (except international loans), railways, telegraphs and even the post-office, would remain in the hands of the local assemblies. Finally, the army was no longer to be national, but each

<sup>6</sup> Those interested in forming their own picture of Pribitchevitch, and in studying his case against King Alexander, are referred to "*La Dictature du Roi Alexandre*," by Svetozar Pribitchevitch (Paris: Bossuet, 1933).

<sup>7</sup> These seven states were to be Serbia, Croatia, Slovenia, Voivodina, Bosnia-Herzegovina, Montenegro and Macedonia.

Little by little the King squeezed the "professionals" out of posts where experts and technicians could serve more efficiently and honestly. He of course met with bitter opposition from the entrenched political interests of the country, nor were his difficulties diminished by his dynasty's obligations to those who had served it in the dark days when all that was left of Serbia was an army in exile. Moreover, he soon found how great was the dearth of suitable new personnel for carrying out all his projected reforms. Despite these obstacles he persevered, and the measure of his success can be gauged from the composition of his last cabinet, in which one can say that out of the fourteen members at least ten had been chosen for merit and efficiency in their special line of work, and that not more than four were to be counted as professional politicians with old party ties.

Of the foreign policy pursued by the King after the *coup d'état* something has already been said. Basing himself on the alliance with France and the preservation of the peace treaties, he was a firm supporter of the Little Entente. His main preoccupation, of course, was to find the means to resist Italy's efforts to spread her influence across the Adriatic into Albania and to secure a dominant position in Austria, Hungary and Bulgaria by supporting the revisionist claims of those states. On at least one occasion of which the writer has detailed knowledge King Alexander made personal advances to Mussolini with a view to bettering the political and economic relations of the two countries, asking only Italy's recognition of the territorial *status quo*. Mussolini's excuse for refusing was always the same: the Yugoslav state and the Karageorgevitch dynasty were so unstable that he could not afford to come to a final settlement with them.

Towards Bulgaria, King Alexander showed unusual qualities of statesmanship. Indeed, the Yugoslav-Bulgarian rapprochement which he and King Boris inaugurated something over a year ago was one of the most promising events in post-war Europe. In King Boris he found an intelligent collaborator, one who showed that he too was willing to take personal risks for what he considered the good of his country. Some nations claiming superior wisdom and a more ancient culture might well emulate the good sense and initiative of these two Balkan rulers. The full measure of their accomplishment in bringing to more friendly terms two peoples divided by the memories of recent and bitter wars can be appreciated, perhaps, only by those who remember the condition of Yugoslav-

Bulgar relations a few years ago and who recognize, as those who have not been frequently in the two countries in question can hardly do, what would have been the dangers of the month of October 1934 if the Marseilles murder, in which the Yugoslav King fell victim to the shots of a Macedonian terrorist in league with Croatian émigrés, had occurred *before* the Bulgarian Government, encouraged by King Alexander's friendly intervention, had proved that it was master in its own house and had cleared Bulgaria of the Macedonian bands.

### III

Belgrade was half-deserted — politically speaking — when the news of the assassination arrived. Parliament was not in session. Mr. Jevtitch, the Minister of Foreign Affairs, had gone to France to be with the King and Queen. It was on Prince Paul Karageorgevitch, the King's first cousin, aged 41, that the burden of the initial decisions fell.

This was as the King had planned, for he had left with Prince Paul a political will in which a regency was set up with him at its head. Prince Paul sent at once for Prime Minister Uzunovitch, General Zhivkovitch, the Commander of the Royal Guard, the Prefect of Belgrade, and one or two others. The Prime Minister, it is said, went to the Palace rather unwillingly, being busy with ideas of his own as to what sort of regency should be set up and not yet knowing how far-sighted King Alexander had been and what detailed provisions he had made in case of his death. In the presence of this gathering Prince Paul handed the Prime Minister a sealed envelope inscribed in the King's hand, "This is my autograph will which I have prepared in accordance with Article 42 of the Constitution of September 3, 1931." Briefly, the will set up a regency of three, the two others beside Prince Paul being Dr. Radenko Stankovitch, a former Minister of Education, Alexander's physician and personal adviser, and Dr. Ivo Perovitch, the Ban of the Save (Croatia). Of the two co-regents neither was a product of pre-war Serbia — Perovitch having been born near Zara, in Dalmatia, Stankovitch at Sokolovac, in Slavonia. And, most strikingly, neither was a military man and neither was a professional politician. A suggestion by Premier Uzunovitch that publication of the will might be delayed is reported to have brought from Prince Paul the statement that if the Premier did not publish it he would.

The day after King Alexander was buried, Prime Minister Uzunovitch presented his resignation for a second time, giving as reason that he thought the government should be strengthened, but more probably, many suppose, with the idea of forcing the regency to allow him to reform his cabinet by expelling the ten non political ministers and replacing them by his own henchmen. Certain Serb nationalists had been talking of something the same thing, namely a strong all Serb cabinet to rule with an iron hand. On the other side, it had been suggested in many quarters that the regency ought at once to call for Uzunovitch's resignation and set up a cabinet of "national union" containing political leaders of all factions. To Premier Uzunovitch, Prince Paul presumably said that he approved his idea of strengthening the cabinet, and suggested that it could be done by adding two former Prime Ministers as ministers without portfolio, and by nominating General Zhivkovitch as Minister of War. He intimated that any other reformation of the cabinet would have to begin at the top. Thus Mr Uzunovitch's manoeuvre failed. The suggestion to abandon King Alexander's objective of national union and set up an exclusively Serb government was of course not even considered. To the other suggestion, that a cabinet at once be formed containing all factions, Prince Paul seems to have replied that the basis for collaboration would not be lasting if it were agreed upon hurriedly, implying that, pending a settlement of fundamental questions of state organization, a non party cabinet would be more in harmony with the policies of the late King than an all party cabinet.

At the moment the decision probably was wise. The regency could not risk opening the door to a renewal of the party dog-fights of 1920-28, without King Alexander's firm hand and personal prestige they would be disastrous. But that does not mean, one hopes, that the present opportunity to heal old wounds and gradually to abandon old and entrenched positions will be passed over. Serb "centralists" and Croat "autonomists" may both have become somewhat chastened by now and ready to participate as equals in a régime intended to evolve slowly in the direction of moderate liberalism. Petitions have been presented to the regency by leading personalities in economic, academic and literary life in all parts of the Kingdom, asking amnesty for political prisoners and the holding of free municipal elections. The character of the regents should make them favorable to a policy

of appeasement. They have already been able to arrange for the resignation of one of the ministers least in harmony with such a policy and least suited to office — Minister of Justice Maximovitch. All that is known of Foreign Minister Jevtitch indicates that he will transmit sympathetically to his colleagues the advice of friendly foreign governments that the basis be laid as rapidly as possible for the collaboration of all parties which recognize the national union. Army support for such a policy will be particularly useful and it is to be hoped that through General Zhivkovitch the regency can secure it on the terms established by King Alexander, *i.e.* that it shall not lead on the one hand to military interference in the conduct of the government or on the other to the intrusion of political considerations into army affairs.

While those charged with the conduct of domestic affairs were busy trying to bridge the gulf caused by the King's assassination, the international repercussions of the crime were reverberating throughout Europe, not only in France and the states partners of Yugoslavia in the Little Entente and the Balkan Pact, but also in the two capitals where dislike and fear of Yugoslavia has long been most pronounced — in Rome and Budapest. It was inevitable, in the light of the vigorous political support long given by Italy to Yugoslavia's national enemies, and in particular since the trial of Oreb had revealed the use of Italian territory for hatching plots against the life of King Alexander, that the first tendency of Yugoslav opinion was to blame Italy for what had been done at Marseilles. This was counteracted by the Italian Government's generous expressions of sympathy and by the moderation and dignity displayed by the Yugoslav Government and press.

It soon came to light, however, that the actual assassin, Vlada Gheorghieff, *alias* Kelemen, a Macedonian émigré, had recently been a member of Gustav Perchetz's band of Croat émigrés at Jánka Pusztá, a farm in southern Hungary less than four miles from the Yugoslav frontier, where (according to the confession which his comrade Rajitch made to the Swiss police) they were trained by former Hungarian army officers to shoot and to throw bombs. It was recalled that the Yugoslav Government had protested to the Hungarian Government in a note dated March 13, 1934, against the training of these émigrés almost on the Yugoslav frontier, at the same time citing the names of Hungarian officials, officers and professors who had maintained relations with them over a long

say that, legal considerations aside, she would have found it difficult to do so

Perhaps one result of the affair might be the adoption of an international convention to regulate the future behavior of political émigrés who have been convicted at home of specific crimes of violence. They might be required to register with the police of the country where they seek refuge, to report weekly, and to give notice of changes of domicile. This would put responsibility for assassinations, bombings and other terroristic acts planned abroad not only on the actual conspirators but also on the police of the country supposed to supervise their daily activities. Limitations might also be set on the right of states to issue passports to non citizens. It is hard, however, to imagine that Yugoslavia can exact any tangible satisfaction for the killing of King Alexander, or indeed that satisfaction can ever be exacted for such crimes unless the aggrieved nation is prepared — as Austria-Hungary was prepared in 1914 — to resort to the hazards of war.

In trying to chart the probable course of events in the Balkans, observers in the next few months will attentively watch Italy's policy toward Austria, especially in the light of Chancellor Schuschnigg's negotiations with the Austrian Nazis, the efforts of Premier Gombos of Hungary to devise some basis of understanding — even if only temporary — between Fascist Italy and Nazi Germany, and above all the progress of the impending negotiations between Rome and Paris. They will also be interested to see whether they can detect any change in Belgrade's attitude toward Berlin. So long as King Alexander lived, the tie with France was unalterable. The murder of the king on French soil in circumstances discreditable to the French police authorities chilled Yugoslavia's traditional admiration for France, and even the extraordinary efforts made by the French Government to demonstrate its sorrow and dismay were not entirely successful in removing the impression caused by the inefficiency of the French Minister of the Interior and his agents. That does not necessarily portend a weakening of Yugoslavia's reliance on France and the other states of the Little Entente, much less her entrance into the German orbit. German economic interests have always been pronounced in the Danube valley and the Balkans, and doubtless they will revive and increase. Yugoslavia will attempt to profit from German efforts to make her a good customer, and if she sees evidence that Italian policy continues to be dominated by the

wish to weaken and destroy her, then she may indulge a tendency to exploit German economic favors as a counterweight. Something of the sort occurred last spring, when the German and Yugoslav Governments chose the moment of the signature of the Rome Protocols between Italy, Austria and Hungary to themselves make a new commercial treaty.

France is in a dilemma. Is the prospect of reaching a definite and dependable understanding with Italy sufficiently promising to make it worth while to accelerate negotiations at Rome which might easily turn out to weaken French ties with the Little Entente? Foreign Minister Laval will have to determine this in his first talks with Signor Mussolini, or perhaps even in advance. It is indeed to be hoped that the Italian Government will have become so conscious of its present isolation in Europe, and will feel it so desirable to strengthen every possible defense against Germany's eventual absorption of Austria, that she will bring herself to accept the *status quo* on the Adriatic and along the Danube.

England's advice in that direction would be useful. That it may perhaps be offered can be inferred from the unusually explicit statement made by Sir John Simon on October 20, in which he said:

"Yugoslavia is now a great state created by a combination of elements which came together under a single sovereignty after the war, and, whatever may be the difficulties and problems of its internal government and organization, the sentiments of its various peoples show no wish for its dissolution. . . . As firm friends of peace, we feel sure that it is in the interests of Europe as a whole to facilitate the difficult task which confronts the new Yugoslav Government, and that a strong, united, prosperous, and contented Yugoslavia is a major European interest."

With that statement of his country's position King Alexander would have been well content. And for a personal epitaph he would have asked nothing more than the following words of the *London Times*: "It is to his credit that the Balkans have become more peaceful than at any time during the last sixty years."

# FRANCE, RUSSIA AND THE PACT OF MUTUAL ASSISTANCE

By *André Géraud*  
( *Pertinax* )

FOR almost a year French diplomacy has been striving to work out a pact of mutual assistance based on the military force of all those countries which feel themselves threatened by Hitler's Pan-Germanism and which wish to save the peace of Europe

The enterprise has involved rather tortuous negotiations in view of the concessions of form which the French Foreign Office has thought it advisable to make in order to forestall possible unfavorable reactions — a reaction, for example, by French public opinion, which already is uneasy about the pledges given by France in Eastern Europe and which looks upon any understanding with bolshevism as a bitter pill, a reaction in England, where many people still are obsessed with the baseless notions which have prevailed in that country for fifteen years past, and a reaction in Italy, where the alarm is sounded every time there are any signs of an assertion of French influence in Central and Eastern Europe. The French scheme has therefore been laden over with verbal glosses and decorations designed to distract people from its actual purport. But the attentive observer cannot have the slightest doubt as to the objective of the French Foreign Office. Its idea is to organize a defensive league that will be able to deal with Germany, or better yet, a preponderant force that will overawe Germany and so compel her to observe the treaties she has made. Not only that. The agreements signed during the post-war period, the Covenant of the League included, have not contained provisions for execution that amounted to anything. The treaty towards which France is now working would lay downright obligations upon the signatory powers, something comparable to the pledges exchanged in the old alliances.

To grasp the sequence of events we must go back to October 14, 1933, when Germany bolted the Disarmament Conference and the League of Nations. That was a grievous blow to the policy which M. Paul-Boncour had been following in the footsteps of Aristide Briand — a policy of European reconciliation. M. Paul-Boncour thought he had reached an understanding with England,



the United States and even Italy (though she had noticeably hesitated) on a program for disarmament. His plan involved grave dangers for France in that it provided for a weakening of French defenses on the assumption that the rearming of Germany could thenceforward be supervised and kept within bounds. When Germany flatly refused to negotiate on that compromise basis, England and the United States, to say nothing of Italy, withdrew their pledges and urged still further French concessions. M. Paul-Boncour went back to Paris at his wits' end.

M. Herriot was just then back from Russia, having spent the first fortnight of September 1933 in that country, and he was making a great ado about the offers of an alliance which had been pressed upon him by Kalinin, Litvinov and so on. The aged Kalinin had gone so far as to say: "France and Russia ought to get together and impose peace." Why not accept this proposal? Why go doggedly forward on the assumption that there could be no cooperation with Moscow? Why close one's eyes to the fact that Hitler's madness and the plans for the German colonization of Russia laid before the London Economic Conference in Hugenberg's famous memorandum had torn the Rapallo policy of the Germans and Russians from top to bottom? How fail to recognize the striking significance of the treaties for determining an aggressor which Russia had signed early in July with eight of her neighbors, the Little Entente included? To be sure, those agreements had not contained clauses providing for execution; but they attested the resolve of the Soviet Union to uphold the peace treaties against all the disruptive forces at work against them. Russia had gone so far in her change of front as implicitly to recognize Rumanian sovereignty in Bessarabia. It was imperative to smother all mistrust, forget prejudices, and deal with Russia aboveboard and directly. In any event, France seemed to have no other choice left, in view of the collapse at Geneva, the aloofness of the United States, and the fact that England had made up her mind in favor of keeping her freedom of action.

Such was the talk heard from M. Herriot and in his circle — not very far-sighted talk, since it accepted at face value everything that had been told him at Moscow about industrial production in Russia, the size of the Red Army, and so on.

M. Daladier was Premier at the time and in open rivalry with M. Herriot, his former teacher in the university at Lyons. He had come to feel himself quite the equal of M. Herriot, who for

To this the French Foreign Office gave prayerful thought. It had made a point of not assuming burdensome responsibilities which might worry French opinion, and of not promising anything that might seem inconsistent with Article 2 of the Locarno Pact about the Rhine. That was why the long cherished idea of working out an Eastern Locarno was abandoned, the duties devolving upon the guarantor states would have been too heavy. Instead, it was provided merely first, that the obligation of mutual aid should apply only as between states which were direct geographical neighbors, second, that Russia would endorse the Locarno Pact, that is, would guarantee the Franco German frontier of 1919, and would do so absolutely, involving automatic action without any such qualifications (appeal to the League of Nations, for instance) as those which weaken the endorsements given by Great Britain and Italy in October 1925, third, that in exchange for that Soviet promise France would guarantee the functioning of the proposed North East Pact in connection with the maintenance of Russia's western frontier (her Asiatic frontiers are not included). Evidently, the French guarantee does not extend to the Baltic States, and on this point those countries are very indignant. As regards Germany, Poland and Czechoslovakia, France holds to her earlier undertakings as covered by the Locarno Pact, the Franco Polish Treaty of 1921, and the Franco Polish and Franco-Czechoslovak declarations of October 16, 1925, which were supplementary to the Locarno treaties, and which under cloak of the phrases current at Geneva are tantamount to alliances.

One point should not be overlooked. French jurists arrived at the conclusion that in accordance with Article E of the Locarno Pact (specifying the conditions under which France can legally make war on Germany without calling into play the Anglo-Italian guarantee), France could not enter into any compact for mutual assistance with a third government unless that government belonged to the League of Nations. In fact, such cases of legal war arise from the application of Articles 15 and 16 of the Covenant. Russia therefore would have to be admitted to the League of Nations in order to enable France to strike a bargain with her without arousing protests from the English and Italian guarantors of Locarno. The question now arose as to the order in which affairs were to develop. Should the North-East Pact of Mutual Assistance be negotiated before Russia's entry at Geneva, or afterwards?

M. Barthou chose the latter course. In a note dispatched to London on April 17 he definitely abandoned the English and Italian views on disarmament, rejecting as illusory the "graduated guarantees of execution" which had been offered him and recognizing but one effective recourse against an eventual violation of any treaty of disarmament which might be negotiated between London, Rome and Berlin — an Anglo-French alliance. And this he did not consider it opportune to ask for in so many words. The disarmament conference thus was in danger of imminent collapse. That would force a debate before the Council of the League as to Germany's violations of the military clauses of the Treaty of Versailles. M. Barthou considered it the wiser part to have Russia on his side in such a ticklish discussion. On the other hand, though resolved to support France in everything touching disarmament, M. Litvinov thought that the Pact of Mutual Assistance should be concluded first, though it would not become valid until after Russia had taken her place on the Council and in the Assembly at Geneva. That difference of opinion was not to be settled (in favor of the French view) until July.

Thus already by the end of April, or early in May, the mutual-assistance project had taken shape, though (we again repeat) very roughly, since no actual articles had been drawn up. There was some difficulty in bringing the governments which received copies of the memorandum to understand just what was to be gained by it. Sir George Clarke, British Ambassador in Paris, paid two calls at the Quai d'Orsay to obtain additional explanations, and Mr. Campbell, British chargé d'affaires, was also drawn into the discussion. At last everybody seems to have mastered the ins and outs of the project. After that all that remained was to obtain favorable replies.

At Downing Street, on July 9 and 10, M. Barthou had a long conference with Mr. Baldwin, then British Premier *ad interim*, and with Sir John Simon. Before that time, Sir John and Mr. Anthony Eden, Lord Privy Seal, had been much wrought up by the French move. In May, at a meeting of the general council on disarmament, Mr. Eden had said to M. Barthou: "Are we to conclude that from now on you are not going to be as eager for an understanding with us as you have been in the past?" M. Barthou earnestly reiterated his devotion to the Anglo-French entente; but the unpleasant memories of October 1933 still needed some little time to fade away. In spite of everything, M.

In a second action, under constant pestering from M Barthou, Warsaw finally became resigned to pronouncing on the basic issue. On September 27 the French Foreign Minister, still at Geneva, received a "Statement of views of the Polish Government as to the proposal for an assistance-pact in the North East, as outlined in conversations with the representatives of France," notably in the conversations on September 7, the date of a fairly illuminating conversation between MM Beck and Barthou. Poland qualified her acceptance by three reservations:

1 She could participate in the agreement only if Germany also consented to come in, and then only if the German Polish declaration of January were to be inserted in the treaty with a special clause providing for its unconditional observance. All of which meant that the Pact of Mutual Assistance would have to be secondary to the German Polish declaration.

2 She refused to assume any undertakings whatever as regards a government (Lithuania) with which her relations were not normal.

3 She could not forget her "traditional friendships" along the Danube. In her opinion, no arbitrary choice should be made of the Powers that would be called upon to sign the Pact. This meant that Poland would refuse to guarantee the frontiers of Czechoslovakia, so long at least as Hungary should not be included in the system.

The matter now was clear enough. The Polish document betrayed in full amplitude Poland's intimacy with Germany and her intimacy with Hungary. Poland, like Germany, is uninterested in any league for the preservation of peace. Her active hostility had made itself manifest as early as July in efforts designed to alienate the Baltic States from France and Russia.

That was the state of the negotiations at the close of the Assembly at Geneva, after Russia's admittance to the League of Nations (not an easy matter to arrange, since the "neutral" countries were afraid of displeasing Germany). Was M Barthou to conclude that further talk with Berlin and Warsaw would be a waste of breath? Was he to decide that the best policy would be to discard the whole scheme of mutuality (which would be more or less orthodox from the Geneva standpoint, as following out the recommendations of the "Committee on Security" made in 1928), and stop at a specification of the various modes of coöperation between France, Russia and the Little Entente? M

Barthou was struck down at Marseilles before he had made up his mind.

His successor, M. Pierre Laval has decided, after some days of reflection, that it is better to make a new move to win Poland, for in the end it would prove very prejudicial to the system if she should remain outside. Every effort will be made to satisfy her demands. Czechoslovakia will agree to do without the Polish guarantee. Lithuania will try to settle the Vilna question. Paris itself will renew pressure in Berlin to override Germany's refusal to discuss the issue which was raised by implication by German diplomacy in July. This will use up a lot of time. But the good faith of Germany and Poland will be put to a decisive test.

In any event, the French Government will not abandon the goal toward which it has been working, namely, to obtain formal promises from everybody interested in preserving peace — Soviet Russia, the Little Entente, Turkey and even, if possible, Poland. To drop the negotiations that have been begun with Moscow would be to throw Soviet Russia inevitably into the arms of Germany and restore to the Treaty of Rapallo and the Russo-German agreement of April 1926 all the vigor that Hitler's madness had stripped them of. It should not be thought that the French Government is harboring fantastic illusions about its entente with Russia. It does not believe, as does M. Herriot, that the old Franco-Russian alliance can be resuscitated in all respects. What it is looking for is the possibility of coöperation within prudently circumscribed bounds. Before the General Committee on Disarmament at Geneva, toward the end of May, M. Litvinov gave evidence of the help he might contribute to the French cause. In the same way, the stand which he took against treaty revision when he assumed his seat in the Assembly was greatly appreciated by the Little Entente. Aviation and economic accords are in the offing. But what must hold first place in any appraisal of the negotiation is the overtowering negative result that has been achieved: the Reichswehr has been definitely cut off from Russia's formidable reservoir of raw materials and man-power.

# APRISMO

## THE RISE OF HAYA DE LA TORRE

*By Carleton Beals*

THE most striking, picturesque and exuberant personality in all Latin America is Victor Raul Haya de la Torre, of Peru, leader of the American Popular Revolutionary Alliance, commonly known as APRA. It is an international movement, with branches in most Latin American countries, but its principal stronghold is Peru. There, after the overthrow of the dictator Augusto Leguía in August 1930, *Aprismo* just missed being swept into power. It is undoubtedly the strongest popular force in that country today. Haya de la Torre has fired the imagination not only of his own people but of an entire continent and a half. He represents a political tendency which under one name or another is gathering headway in all the southern countries, which has found considerable expression in Mexico, and which is represented to some extent by the A B C secret organization in Cuba, a group under the leadership of Martínez Saenz that effectively participated in the overthrow of Machado. To understand the Apra movement and its leadership is to understand the probable evolution of Latin America in the years ahead. The impending political crises there will profoundly affect our own political and economic relations, our five billion dollars of investments, our trade, and our security in case of a new world war.

Haya de la Torre stands out as a brilliant leader with the knack of appealing to large masses of men. He has swayed thought nearly everywhere in the New World by his copious writings. He has won a picturesque halo of martyrdom because of long exile and imprisonment, and he has built up a powerful well knit organization with an eclectic program of broad social significance, of great political opportunism and with international implications. It is a unique movement, though it has been labelled variously as communistic, socialistic, liberal, petty bourgeois, fascist — Latin Americans are not devoid of the average man's habit in other countries of judging political events by emotions and prejudices, by conventional tags, rather than by clear concepts. None of our familiar clichés by which we attempt to pigeon-hole contemporary tendencies in Western Europe are en-

tirely satisfactory for semi-colonial Latin America; economic and political facts there, the course of recent developments, the new movements that have developed, the type of national planning in vogue, require a fresh terminology. For a long time I have been puzzled to find some adequate designation which would roughly characterize a continental tendency miraculously compounded of Wilsonian democracy, Marxian communism and Fascism. Perhaps the term *Aprismo* is itself sufficient. Haya de la Torre is the outstanding exponent of the new doctrines.

## II

I knew Haya de la Torre intimately during his exile in Mexico in 1923-4; I dealt with him again there three or four years later; and on various occasions during my recent visit to Peru, I visited with him in Lima. He is at present about forty years of age, in the full flush of his intellectual development, energy and enthusiasm. As the head of the first truly popular movement in Peru's entire history, he is now the *bête noire* of old-style politicians, the militarists and the feudal elements. His earlier period in Mexico was formative; he was then forging the ideas, the plans of political organization, and the contacts which have since made him a continental figure.

Those years of 1923-4 were a dramatic time in Mexican and world affairs. The Mexican revolution, antedating that of Russia, had stumbled through civil war into a hit-or-miss program of land-distribution, anti-clericalism, bitter opposition to oil imperialism, and was actively promoting popular education and labor reforms. The World War had demonstrated the economic and moral bankruptcy of Western Europe and the instability of the Versailles peace. Mussolini had seized power in Italy; Primo de Rivera had provided an opera bouffe imitation in Spain; Horthy had taken charge of Hungary; the Social Democrats in Germany were battling with the Communists. The Russian revolution was wavering between Lenin's NEP policy and Trotsky's formula of world revolution. China was in an uproar. Gandhi was getting gaunter and more menacing in India. Morocco was still in revolt.

In Mexico in 1923-4 was another notable leader, the exiled Cuban student Julio Antonio Mella, whom I knew well and later saw die in the Red Cross emergency hospital, after being shot in the back by the minions of Machado. Both Mella and Haya were

Sánchez Cerro, to overcome his great personal unpopularity and strengthen his tottering position, precipitated the Leticia controversy with Colombia. It distracted public attention from domestic difficulties, but the manoeuvre proved dangerous. In preparing for war, Sánchez Cerro soon discovered the danger of arming volunteers and conscripts. Practically all were Apristas. A dilemma. The new recruits were drilled without guns. So great was the government's fears, that even at the front the guns of new soldiers were taken away from them at night. One encampment was slaughtered by the Colombians and a victory won because the Peruvians had no arms with which to defend themselves. A recruiting officer in Lima addressed a new regiment of volunteers on the evils of Aprismo. The government, he stated, preferred to discharge any members of that party rather than have the forces contaminated. He called on all Apristas to step forward. The whole regiment moved forward as one man. The official in question suddenly decided that *Aprismo* was not such a bad thing after all.

Following Sánchez Cerro's assassination in April 1933 by a fanatical student, Haya de la Torre—released through an amnesty granted by the new provisional president, General Oscar Benavides—at once dedicated himself to the active reorganization of the party. The whole country breathed a deep sigh of relief when the erratic and sanguinary Sánchez Cerro had been laid to rest. The immediate reaction to his fantastic follies was an enthusiastic reassertion of Apra strength.

Ere long the Benavides government and all old line political elements became seriously alarmed. Repressive anti Apra tactics were resumed. The old Leticia trouble was revived and a patriotic drive started to make Apra propaganda savor of treason. Last April the Apra papers in Lima were suppressed, the police smashed up Apra headquarters, schools, restaurants, and jailed whomever they could lay their hands on. Manuel Seone, one of the outstanding leaders, when cornered by forty secret police, fought his way out pistol in hand from the national stadium, leaving two dead behind him. Haya went into hiding. The Apra movement again entered a definite period of official persecution. The government censors even forbid the mention of Haya de la Torre's name in foreign dispatches. All pretense of constitutionality has been thrown aside. Congressional elections were postponed until September because of the Leticia trouble. As a result



of a bloody general strike in that month in Trujillo and on the big foreign-owned estates, the idea of holding elections has been abandoned entirely. The Apristas now believe that their only recourse is to prepare for armed revolution.

## 111

Chan Chan, near Trujillo, is a vast conglomeration of crumbling adobe walls, which in its heyday, perhaps 1200 A.D., probably harbored several hundred thousand people. It and Pachacamac, near modern Lima, were the two great pre-Inca coast metropolises of the Chimú civilization. Chan Chan ruled supreme until — a few centuries before the coming of the Spaniards — Inca Yupanqui's 50,000 warriors subjugated the coast and the bulk of the city's unappeasable inhabitants were sent as colonists to other parts of the empire. The Spaniards found the place nearly abandoned. I made two trips to Chan Chan, one to learn about its ancient splendors; the other, with Apra revolutionists, to learn about its modern tragedy.

The Apristas showed me numerous crosses over dozens of crumbling buildings. These crosses are white with buzzard droppings — for under them lie the half buried bodies of over a thousand people lined up and shot after the failure of the 1932 revolt which shook this whole region from Trujillo clear up into the Cajamarca Sierra. Beyond the stadium — "APRA" painted in big letters on its roof — was another trench with many crosses. "At least thirty are buried here!" We penetrated on into the tangle of Chan Chan. There people, taken out in trucks, had been lined up alongside of ancient ditches and reservoirs, and shot into their graves. For months Chan Chan was a carnal house. Its pestiferous stench rose to high heaven for miles about, even to Trujillo.

Trujillo still remains ardently Aprista. Frequent pilgrimages are made to martyr graves. The Apristas control one of the leading dailies, *El Norte*, edited by Haya de la Torre's brother and by Antenor Orrego, for some strange reason not suppressed along with almost all other Apra periodicals. Pérez Treviño edits a weekly magazine. Propaganda is active. The recent bitter strike reveals that despite dreadful massacre the same feeling prevails among the people. The Apra movement's bath of blood, its roll of martyrs, its traditions of struggle, have closed up the files of the party in iron-clad discipline.

## IV

The Apristas lose no opportunity to state their case, both at home and abroad. Though my visit to Peru was unannounced, Carlos Manuel Cox, one of the principal leaders, greeted me on board the *Santa Clara* as soon as we reached Callao. The following day, Haya de la Torre and his secretary called on me at my hotel, and the following evening I had supper with him and three other Apristas in a little German pension facing the sea in La Punta. The reunion was semi secret, for although at that time theoretically the party was not suffering persecutions, several attempts had been made to assassinate Haya. He went well armed and never slept twice in the same place.

He has lost none of the enthusiasms that characterized him ten years previously. He still retains his remarkable powers of expression. Though now the key man in Peruvian politics and Latin America's most prominent figure, he is still as informal and jovial as ever. Of medium height, stocky build, and massive features, his face is constantly illuminated by a vivacious smile, and his persuasiveness and amenity coupled with his remarkable insight into the character and motives of others invariably captivate everyone with whom he comes in personal contact.

What is the Apra program? I have before me two score books and pamphlets detailing its struggles and program, including the vivid verbatim account of Haya de la Torre's preliminary hearings during his imprisonment under Sánchez Cerro, an account which reads like a seminar in political economy rather than a police or court record, and which places Haya de la Torre at an astronomical distance, intellectually and morally, above his interlocutors and persecutors.

Haya was seeking an adequate political formula for Latin America. He had studied, through their literature, and at first hand, the revolutionary movements of Mexico, Russia and Italy. He was well versed in the bases of American and English democracy. Above all he had studied political tactic and organization. He came to the conclusion that neither the communist nor fascist movements offered a way out for the Latin countries, for both were phenomena of industrial or semi industrial nations, whereas most of Latin America, and certainly Peru, had only the beginnings of a proletariat. The pivot of any social

regeneration for him was the fight against foreign capitalism — imperialism. This had become the most powerful factor in maintaining backward feudal and military dictatorships and preventing popular education, economic freedom, and national independence. Leguía had been maintained in power by American loans, corruptly contracted and corruptly expended.

Haya realized that successful resistance could be waged not by the handful of proletariat, but by a concurrent appeal to intellectuals, to the indigenous peasant masses and the new but ambitious middle-class. Even new native capitalist elements would be drawn into such a movement. Not all amicable bed fellows, but all useful. The general thesis was anti-imperialism; war upon all feudalism, therefore upon landholders, the Church and militarism; the simultaneous building up of native private and state capitalism, with bonafide collectivism whenever and wherever possible; rapid education to provide a true national basis for political stability; the freeing of the Indians from pseudo-serfdom; the enforcement of an enlightened labor code. The ultimate goal was to be democratic collectivism.

For the communists this is obviously a new brand of fascism; for the feudal elements it is obviously little removed from outright communism. The tags do not fit. The economic and political facts of Peru and neighbor countries are unique.

Italian Fascism and the Nationalist Blue Shirt allies utilized radical phraseology. Italy, according to Corridini, was a "proletariat nation that must fight the capitalist nations." Hitler has made alleged socialism a cloak for nationalistic pretensions. Something of this undoubtedly lurks in the Aprista attitude, but it is only part of the picture.

Carl Dreher in a recent illuminating article<sup>1</sup> defines Fascism as "a fraudulent simulation of collectivism applied to the minds and bodies of men, exempting only the large property owners from its tyranny." It is an attempt through severe governmental regulation to save part of the capitalist mechanism and its benefits for the middle class by eliminating its chaotic and unworkable features. In Latin America capitalism cannot be saved because it has never existed. Democracy and certain liberties which are inimical to a tottering capitalism cannot be destroyed in Latin America because they have never existed. The middle class cannot be saved from being crushed in the war between

<sup>1</sup> *Harper's Magazine*, September 1934, p. 484.

capital and labor because the Latin American middle class is only beginning to emerge

Similar observations occur regarding communist tendencies To postulate a capital labor class struggle is to postulate, to a certain extent, a Pyrrhic battle — the protagonists still have to be breathed into life Collectivism must be created not by collectivizing in industry but by creating an industry along collective lines, the agrarian masses do not have to be collectivized because great sections of them have never abandoned a collective system Only the great estates can be directly collectivized and the peons freed

Latin America has always had dictatorships, but these have never been — despite the bandying of verbiage — either collective or fascist Their basis has nearly always been feudal, sometimes in alliance with the growing middle class, more recently, thanks to bankers' loans, in alliance with foreign capital

The nearest approach to Fascism in the New World has been made in Mexico, ruled by the "full car" National Revolutionary Party, which runs a government closely approximating the Dreher definition of a fraudulent simulation of collectivism exempting the large property owners from its tyranny But even in Mexico it has original characteristics the Mexican revolution, to fight imperialism, had to arm the workers and peasants, but its directing force was the new middle class of *mestizos*, who have used the state to become industrialists If previous patterns had been followed the successful revolutionists would have sunk blissfully back into the arms of feudalism, but the penetration of foreign capital is rapidly making that impossible Success has channeled the movement increasingly into a fascist tendency, save that hitherto non-existent democracy is given at least lip-service, and collectivism, especially in connection with agriculture, is stressed because this hinders the invasion of foreign capital and aids the rise of a native bourgeoisie A well controlled labor and peasant movement further blocks foreign competition, but being officially wielded permits native interests to expand their industrial enterprises, banks, tropical estates This explains the queer Mexican phenomenon of revolutionary leaders become fabulously wealthy but still ardently supporting a socialist program

The same ideology and possibilities are latent in the Cuban A B C movement, they are also latent in the Apra movement Whether the latter when it gains power will become increasingly fascist as in Mexico, or whether collectivism will tip the balance

more strongly, will depend upon various factors, among them the general current in the world at large.

Thus into the Apra movement, much as in Mexico, is projected the age-old Indian agrarian collectivism, the aspirations of the new proletariat, the aspirations of the new middle class, and certain of the aspirations of the new native bourgeoisie. The battle, in short, is against the Spanish-created feudalism and foreign capitalism; and Haya de la Torre has been shrewd enough to disdain no weapons — collective, proletarian, middle-class or bourgeois. This merely implies confusionism to a communist. Undoubtedly it is the prelude to subsequent struggles. But though it does not permit the immediate injection of a Marxian class-struggle between classes that only exist in embryo, it is clear enough in its outlines, its ideology, and its purposes.

To label the movement as either fascist or communist, whatever it may soon tend to become, is to deny its facts and purposes. Rather is *Aprismo* a movement moulded to immediate needs which achieves a synthesis of the doctrines and tactic of democracy, Marxian communism and fascism. This, in fact, is the only type of movement that meets the actual issues and is likely to succeed. To combat militarism, the Church, feudalism, it advocates democracy for the masses which have never known democracy; as an anti-imperialist and anti-landlord movement it proposes collectivism to the extent possible; it is fascist in that it is nationalistic, does not disdain force, and does not demand complete abolition of private property.

## v

*Aprismo* is bigger than its immediate demands. It represents a mass movement of great potentiality. Its members are imbued with almost mystic fervor; they are the stuff of which martyrs are made. They have been exiled, have gone to jail, have been wounded in battle. They are fighting for what to them is a sacred cause. It is a singing movement; they have hundreds of songs which are chanted at all gatherings throughout the country. They have a fervent faith in their leadership. Haya is perhaps too much of a god to them. Apra headquarters are plastered with pictures of Haya in entirely too-Mussolini-esque poses. Their discipline is almost puritanical. They war upon the vices and promote Aprista sports. Haya's own brother was expelled from the party for refusing to obey superior orders.

It is necessary to recall that Peru has never had a party based upon principles. Previously it has merely had ambitious political and military cliques, greedy for power and privilege. Thus in 1904 Prada declared that the Peruvian's electoral choice between the *Civilistas* and the Democrats consisted in walking through a narrow alley, both walls smeared with mud and blood so that one was soiled whichever side was touched. Apra is the first party in Peru's entire history with a concerted body of principles other than that of sustaining a small clique in power.

Peruvian governments have never been rooted in economic facts. There has been no census since 1876, if we except an estimate made in 1896 and an even more superficial estimate in 1923, hence no Peruvian government has ever known (except in 1876) how many Peruvians there are, how much Peru produces, or what Peru and its people need. Hence no government has ever attempted to root itself in the entire Peruvian nationality. Hence the ignorant feudal governments of Peru have always been unstable. Politics have shuttled between anarchy and tyranny, tyranny being but one facet of anarchy. Apra seeks a broad national mass basis, a democratic functioning, and increased economic justice. Apra principles are not empirical. They have evolved through the trial and error method — an ideology gradually crystallizing out of prior student and labor struggles. Though influenced by world trends, it is basically related to Peruvian conditions and needs, and to general Latin American needs.

An Aprista victory will immediately precipitate new problems. The leaders will be obliged either to make a compromise peace with the feudal *Civilistas*, or they will have to deepen their economic program and create a stronger alliance with peasant and Indian forces. Whatever its defects, however uncertain its future program, *Aprismo* is a great popular movement with remarkable discipline and remarkable leadership. It is the first stirring of a long oppressed people. It is the beginning of a new Peru. It is a movement which, in one guise or another, is rapidly reshaping the destinies of all Latin America. Haya de la Torre is a figure who provides the key to Latin American developments for the next few decades.

# THE OCTOBER REVOLUTION IN SPAIN

By *Luis Araquistáin*

## I. ITS IMMEDIATE ANTECEDENTS

ON October 4 a new Lerroux government was formed in Spain, containing three ministers who were members of *Acción Popular*, the Catholic-agrarian party captained by Gil Robles. The next day, a country-wide general strike was declared. On October 6 the autonomous government of Catalonia proclaimed the Catalan State within a Federal Spanish Republic — that is to say, in a new form of Spanish republican government. On the morning of October 7 the Catalan State surrendered; the autonomous government capitulated to the forces of Madrid.

The general strike lasted another week in almost every part of the country. In Asturias the armed struggle between the revolutionary forces and those of the government lasted for two weeks, ending finally in a pact between General López Ochoa, commanding the government troops, and Belarmino Tomás, representing the workers. But as these lines are written guerilla warfare continues in isolated spots in the Asturian mountains.

The number of dead cannot yet be ascertained, except in Oviedo, the capital of Asturias, where it is calculated that a thousand people have been buried or burned. In the whole of Asturias the dead, including revolutionaries, government troops, and civilians, are estimated at from two to three thousand. In the rest of the country the loss of life has been much less, but must amount to some hundreds. The material losses have been enormous. In Asturias alone, through fire and bombardment, they are estimated at more than one hundred and fifty million pesetas. Oviedo is literally a city in ruins, reminding one of certain Belgian and French villages destroyed by artillery in the World War.

Such, in brief, are the external facts of the October revolution in Spain. Let us now go below the surface, analyze its genesis and characteristics, and estimate as objectively as possible its social and political significance.

What first surprises those unfamiliar with the hidden factors in these events is the disproportion between so apparently minor

a fact — the participation of three members of *Accion Popular* in the Lerroux government — and a revolutionary general strike in which the entire Spanish proletariat protested against that fact, paralyzing the whole economic life of the country and creating a state of civil war in many towns and provinces. The nomination of these three ministers was to all appearances perfectly constitutional. In less than a year three minority governments had been tried, under the leadership of three members of the Radical Party. Martínez Barrio — under whom was held the corrupt general election of November 1933, Lerroux, who resigned on April 25, and Samper, who resigned on October 1.

The parties forming these three successive governments did not have a parliamentary majority. In order to remain in power they needed the votes of *Accion Popular*, which was not represented in the government. Why was it not? Because, up to October, neither the President of the Republic nor *Accion Popular* itself considered it prudent for this party to come into power. The reason was obvious. In the Constituent Assembly this party, which then had a different name, had shown itself to be frankly anti-republican, hostile to every article in the Constitution and to all its complementary laws. It had not voted for the Constitution when the latter came up for final approval. From the very beginning it was revisionist, not just in so far as this or that particular law was concerned, but in regard to the republican Constitution as a whole. Fundamentally it aspired, by means of revision, to restore the monarchy.

In the November elections it was allied with the monarchist parties and supported by monarchist money. Its program did not differ essentially from that of the groups which were openly fighting for the restoration of monarchist institutions and oligarchies. The vast majority of its voters, if not all, were monarchists. Later on, in order to gain access to office, it made ambiguous statements of acceptance of the republican regime, but this was merely to falsify the mandate which it had received from the electorate. If it wished to govern as a republican party, it would have had to wait until the next election and then present itself unequivocally under a republican flag. This was the argument of the Socialist Party and other frankly republican parties. Only one of these, the Radical Party of Lerroux, showed a disposition to accept members of *Accion Popular*, and that tendency caused the withdrawal of some twenty deputies, who formed an inde



pendent party under the leadership of Martínez Barrio. But to Lerroux, dominated by senile vanity and ambition, it was all the same whether it was a republic or a more or less disguised monarchy, provided only he were in power.

As for the President of the Republic, at the opening of the new Cortes he was disinclined to admit members of *Acción Popular* to the government, as he did not regard them as republicans; at least so the republicans of his entourage were told. But gradually two motives induced him to change his attitude. One was the cautious statement of republicanism which Gil Robles was compelled to make as a condition of joining the government. Probably it was the President himself who chiefly persuaded him to do so. Thus appearances were preserved.

Señor Alcalá Zamora, on whom is stamped deeply the characteristics of the professional jurist who puts the letter above the spirit of the law, is a man of profoundly conservative mentality. His republicanism is a mere matter of form. He wanted the basis of the republic to be so widened as to be acceptable, even if only nominally, to all Spaniards. The content of the republic — the economic, social, and political relationship between the classes — is of quite secondary interest to him. A sincere Catholic, his conception of society, based on the charity of those who have and the resignation of those who have not, does not differ in essentials from the political program of *Acción Popular*, or of any other Catholic party in the world. His ideal would be a Christian republic, full of pity for the poor. It is obvious that the purely external and surface republicanism of Gil Robles should fill him with satisfaction: it would widen the basis of the republic.

The second motive, on the other hand, was that Gil Robles was refusing to give further support to minority governments. He wanted to have a direct share in the government. He had to destroy with his own not too tender hand the work of reform which the three previous governments had performed in two years of republican-socialism. It was not expedient to wait, as he had once waited, until the next elections gave him an absolute majority. On the contrary, the result of another appeal to the electorate might be disastrous. His allies the monarchists were highly dissatisfied with his republican professions and his parliamentary concessions; and if, as was probable, they did not give him money for another election, the existence of his party would be in grave danger. Furthermore, the voters, noting his repub-

lican disguise, might turn against him, accusing him of treason

At the same time Gil Robles believed that the republican Left, particularly the Socialists, would abandon their attitude of implacable hostility. He began to convince himself that the threats uttered in Parliament by the Socialists, that they would let loose a revolution if *Accion Popular* formed part of the government, would never be realized. Everyone would submit to the inevitable, the accomplished fact. At most there would be a twenty-four hour general strike of protest. This was stated in an editorial in *El Debate*, the organ of Gil Robles (who was perhaps the writer of the article), in its issue of October 3. There would be no revolution, nothing would happen. The President was also convinced of this. Two days before the Lerroux government was formed, a Madrid banker went to inform him that it was certain that the participation of *Accion Popular* in the government would be the signal for a revolution. 'Who will call it?' the President asked with a smile. 'The Socialists?' 'They never make revolutions.'

Then came the question, who was to govern? Either *Accion Popular* would, or the Cortes would be dissolved, no more minority governments. The President wanted to prolong the present Cortes as long as possible. The Constitution did not authorize him to dissolve Parliament more than twice during his term of office. This term is for six years, and there are still three to go. He had already dissolved one Cortes, the Constituent Assembly. The next or third Cortes of the republic could not be dissolved by him. It is understandable that he should wish to preserve his last prerogative of dissolution by prolonging the life of the existing Cortes. Moreover, the next Cortes might put him out of office, the only thing necessary being a vote of three fifths of the deputies. Is Señor Alcalá Zamora afraid of being deposed? It would not be surprising if he were. The premature dissolution of the Constituent Assembly and his conduct towards the men and parties who have governed their public have completely alienated the sympathies of those who almost unanimously elected him. His policy as President has been to break up the large parties of the Left and to remove from office the most eminent men in the republic, appointing in their place the most mediocre and unqualified. He has fomented schisms and imposed ministries of nonentities, like that of Señor Samper.

Señor Zamora has shown himself an ultra presidentialist

His ideal seems to be that all ministers should be designated by him and that they should belong either to no party or to parties of no significance. Repeatedly, but in vain, Señor Zamora has tried to form cabinets presided over by men who were not even deputies. In recent ministries there have been various ministers who were not deputies and who were appointed only because they were friends of the President. Not even in the days of Alfonso XIII did the factor of personal likes and dislikes play such a decisive part in Spanish politics. This curious psychology of the President, in which ambition for personal power is combined with a well-defined inferiority complex, is one of the guiding motives, often the leading motive, in the already troubled history of the Spanish Republic. While the responsibility for the October revolution of *Acción Popular* is great, greater still is that of the President who, contrary to the spirit of the Constitution, opened the doors of the government to a party whose electoral power derives from the monarchists, and whose political program, repeatedly and publicly proclaimed, is to destroy, first the social and secular aims of the Spanish Republic, and finally the Republic itself.

This, however, is undisguised Fascism, adapted to the conditions of Spanish life. The three last minority governments, supported in Parliament by *Acción Popular*, were a preparation for Fascism or semi-Fascism. The direct participation in government of *Acción Popular* was two-thirds Fascism. The next step was to eliminate Lerroux definitely, as Martínez Barrio had previously been eliminated, and to exercise plenary powers, with or without Parliament, with the connivance and complicity of the President (as in the Austrian case of Miklas with Dollfuss). The only alternative was, overruling the President, to establish complete Fascism — a Fascism based particularly on the ownership of land, the Catholic Church, and the army, thus resembling rather the Fascism of Austria and Portugal than that of Italy and Germany.

Confronted by this apparently legal and long premeditated transfer of Fascist power to the Republican authorities, all the social and political parties which saw themselves threatened by the beginnings of a dictatorship revolted on October 5. They included the opposition republican parties, the government of Catalonia, and the workers' organizations of Marxist, syndicalist, and anarchist tendencies. This revolt was a secret to nobody except the President of the Republic and those parties forming the

Lerroux ministry The Socialist minority had announced it in Parliament It was published daily in the Socialist press It was the inevitable theme at all working class meetings

In reality the revolution began to germinate at the last elections, as a result of the methods of corruption and coercion employed to frustrate the national will If it did not break out at that time it was because nobody expected that the President would hand over the government to an old monarchist party with expressly Fascist ideas Nevertheless, writing in FOREIGN AFFAIRS immediately after the elections, I was in a position to make this easy prophecy 'If there is a dictatorship, there will be a revolution' Strictly speaking, there has been a revolution before the dictatorship was firmly established, before it could seize power It has been a preventive revolution, chiefly inspired by the fatal example of German Socialism, which surrendered without a struggle, and of Austrian Socialism, which was vanquished in a struggle that came too late Was the Spanish revolution premature? It has been momentarily suppressed May it not have been a wasted effort? It is too soon to tell But the moment is opportune to study the characteristics of this revolution and its historical potentialities

## II ITS GENESIS AND CHARACTERISTICS

The intervention of the opposition republican parties in the revolutionary movement of October was purely platonic The four republican groups led by Azaña (then in Barcelona), Martínez Barrio, Sánchez Roman and Miguel Maura contented themselves with publishing notes in which they severed their connection with the existing regime on the grounds that it had fallen into the hands of the Right and especially of *Acción Popular* These are small parties, representing minute sections of the petty bourgeoisie In the last analysis, all they proposed to do was to withdraw from Parliament When they did withdraw on the opening of the Cortes on November 5, it was merely in protest against the unusual action of the government in extending the press censorship, which has existed from the beginning of the revolution, to Parliamentary speeches But if the President of the Republic invites them to form a government to liquidate the revolution and prepare new elections, it will not be strange if all, or almost all, answer in the affirmative, so far as they are concerned, in that event, the present regime would have to deal with nothing

<sup>1</sup> "The Struggle in Spain," by Luis Araquistáin, FOREIGN AFFAIRS April 1934 p. 470.

more serious than a passing fit of ill temper. They neither desire nor can effect a serious revolution.

The case is different with the Catalan *Esquerra* (Republicans), who have monopolized the government of Catalonia since the beginnings of the Republic. Their revolt against the central state consisted, as I have said, in proclaiming a Federal Spanish Republic and within it the Catalan State. This gesture, however, was not supported by arms, despite the abundance of armament and the numerous militia — called *escamots*, meaning "vigilants" — at the disposal of the Generalidad of Catalonia, not to mention the police forces. These armaments consisted of fifty to a hundred thousand rifles, machine guns, and armored cars. There existed a complete plan of campaign against the forces adhering to the government, which were a little more than a thousand men. But this plan remained in abeyance. A brief bombardment by the troops of General Batet, commanding the government army, caused the Generalidad building to surrender a few hours after the rising. What had happened? In order to understand the formidable collapse of the Catalan government, believed by many to be as staunch as a rock, but which turned out to be a house of cards, certain preliminary matters must be recorded.

The *Esquerra* party rested on two social forces, the *rabassaires*, or small farmers of Catalonia, and the syndicalists in the towns, particularly Barcelona.<sup>1</sup> Luis Companys, president of the Generalidad government, was the political leader of the *rabassaires* and at the same time, during the military dictatorship, he was one of the chief lawyers for the persecuted syndicalists.

Once the autonomy of Catalonia was established, one of the first moves of the Catalan government and parliament was to pass the so-called Land Act. Briefly, the purpose of this law was to break up the large landed estates, the origins of which went back to the Middle Ages, and to distribute them amongst the farmers who had been working them on lease from time immemorial, providing them with facilities for the purchase of those small parcels of land which had been rendered fruitful by their many years of devoted, hard work. The law was far from revolutionary and anything but socialistic, since it meant an increase in the number of landowners. But the present owners, represented by the Regionalistic League, the organ of the Catalan plutoc-

<sup>1</sup> The word *rabassaires* originally meant those who signed contracts known as *rabassa morta*, or dead vine contracts, that is, for the length of time the vines were alive in the vineyards.

racy in all its manifestations, raised a great outcry and compelled the Madrid government to bring a charge of unconstitutionality against this law before the Tribunal of Constitutional Guarantees

This Tribunal, consisting chiefly of members of the Right, opposed to the autonomy of Catalonia and its secular and social policies, declared the Land Act unconstitutional. The Catalan parliament refused to accept this decision, and the Samper government, instead of enforcing it, entered into laborious negotiations with the government of the Generalidad with a view to finding a formula which would uphold the decision of the Tribunal of Guarantees and at the same time leave the Land Act untouched, save for a few slight modifications. This conciliatory policy was extremely displeasing to the right-wing parties, especially *Acción Popular*, which desired the annulment of the Catalan Land Act. They were further displeased because the central government had transferred the public services in Catalonia to the Generalidad, and because the Catalan government had wanted to remove certain judges who, in its opinion, were not enforcing with sufficient loyalty in Catalan territory the laws of that autonomous region. It was this displeasure which led to the fall of the Samper cabinet. On learning that *Acción Popular* was part of the Lerroix government the Catalans were convinced that this would mean the end of the Land Act and of the more vital powers conferred on Catalonia by the Constitution. Once again it was the triumph of traditional centralism over autonomy. The government of the Generalidad revolted against this centralism, which was a return to the policy of the late monarchy.

There were two elements back of the Catalan government, a separatist minority which would accept nothing less than the independence of Catalonia, and the majority, represented by Companys, which stood for the *status quo*. The compromise was the proclamation of the Catalan State within the Federal Spanish Republic. The extremist minority was in favor of using force in defense of the new Federal State, but the majority was opposed to an armed struggle and decided to surrender without resistance. It may be asked, why? I shall try to explain.

The *rabassaires*, who might have come to the assistance of the Generalidad, were not armed, nor could they be armed overnight. In any case, even if they could have been armed rapidly, a rural civil war would have had small chance of success, unless the general

strike had meanwhile overthrown the government in Madrid. This government had resisted the first attack of the strikers. The government of Catalonia, on the other hand, was afraid that a rural insurrection might come under the control of more radical elements, of the poorest peasants, imbued with socialistic doctrines, and be transformed into a social revolution.

This same fear determined the decision of the Generalidad to renounce armed resistance in Barcelona. The *escamots*, loyal to the *Esquerra*, might be enrolled by the socialists, communists, syndicalists, and anarchists, who were frankly at daggers drawn with the Generalidad government and the party which supported it. In recent months there had been numerous strikes, a proof that the city proletariat, disillusioned by the Generalidad government and its tendencies to serve the bourgeoisie openly, was returning to its old tactics of direct action.

On the other hand, many members of the *Esquerra* used language which was a constant insult to the urban proletariat. The majority of this proletariat comes from other Spanish provinces, mostly in the south of Spain, and especially from Murcia. "Murcianism" is an expression of contempt used by the most extreme Catalan nationalists to describe these working masses and the syndicalist methods which they employ in their struggles. With this contemptuous word all non-Catalan workers are continually insulted, and they are made to feel the reproach of being foreigners and, therefore, undesirable. This psychological factor, plus the tendency of the Generalidad towards a policy highly unfavorable to the great labor groups which had helped with their votes to make the *Esquerra* the government of Catalonia, explains the attitude of disillusionment and resentment on the part of the Barcelona proletariat so far as this party is concerned.

When the Generalidad revolted against the central government, the Workers' Alliance, consisting of socialists, communists, and in part anarcho-syndicalists, crowded into the streets, demanding arms with which to defend the insurrection. Not only were no arms given to them, but this insurrectionary movement of the proletariat must have intimidated the Generalidad as much as did the bombardment of General Batet. The government of Catalonia found itself caught between two fires, that of the Madrid government and that of the potential social revolution. Fear of this latter was not unfounded. If the Catalan proletariat had had arms at its disposal in October 1934 it would not have been

content merely to defend the Republic of April 14, 1931, much less its representatives in Catalonia. But the proletariat was unarmed. That is why the revolt there collapsed. Those who were prepared to support it had no arms, and those who had arms were frightened by the possible results of the revolution.

What history has frequently demonstrated was proved once again, namely, that a petty bourgeois party, placed between the power of the upper middle classes who control the state, and the mass of the class-conscious workers, is ineffective in revolution and always surrenders to the strongest side. Today it has surrendered to the central State, tomorrow it will surrender to the proletariat, should the latter win. The tragedy of the Catalan *Esquerra* has been its fear of struggle, that is, its impotence. And the same tragedy is true of all liberal and democratic parties of the center type, caught between the upper and nether millstones of Fascism and Marxism, they would like to remain out of or above the great historic struggle, but they are doomed either to be absorbed or destroyed by the contending parties.

The real protagonist of the October revolution was the working class. With the exception of the syndicalists and anarchists, which were always revolutionary organizations — in a little over two years they have risen in arms four times against the republic — the rest of the Spanish proletariat, the majority of whom subscribe to the Second International, had until now adopted parliamentary and evolutionary tactics. Twice, it is true, they had tried the general strike of a political character, in August 1917 and in December 1930. The former, save for isolated acts of violence, was peaceful. The latter was defeated by the lukewarm attitude of the syndicalist leaders. The leaders of the Socialist Party and the *Union General de Trabajadores*, who have always worked in agreement, did not believe in armed revolt. At the congress of the Socialist Party and the *Union General* held in 1933 there was a change of direction and tactics. Why?

One of the most influential causes of this change was the annihilation of the German Socialist Party early in 1933. This was the bankruptcy of democratic evolutionism. Contrary to what had been believed, Fascism meant much more than simply an Italian peculiarity. For the first time its universal traits were recognized. Fascism, as the French writer Rosenstock Frank later said, represents the socialization of the losses of capital. To alleviate the economic crisis, wages had to be reduced and strikes



prohibited. Consequently, the simplest and most radical method was to suppress working class organizations based upon the class struggle.

Even in 1933 the Spanish socialists realized that Fascism would try to establish itself in all countries, including Spain. The propaganda of the right-wing parties in the November elections confirmed this presentiment. They declared quite openly that their purpose, if they were victorious at the polls, was not to allow members of the Socialist Party to sit in Parliament, but to destroy their political and trade union power all over the country and to wipe out their organizations by force. This threat is being carried out. The minority governments, manipulated according to the will of the Right parties, have been removing from office all municipal bodies in which there was a socialist majority. They have persecuted the socialist press to an extent unsurpassed even in the days of the monarchy, mulcting them of enormous sums and suppressing their editions almost daily. Recently, under the pretext of contraband arms and the discovery by the police of a few revolvers and bombs in the Casa del Pueblo in Madrid — kept there as a defense against probable Fascist attacks — the dissolution of a great number of workers' societies was ordered, the courts later acquiescing in this decision. The program of *Acción Popular* and other allied parties was being carried out.

Confronted by these facts, and seeing how the modest legislation of the republic was defied or undone, the disillusionment of the proletariat was unbounded. They noted what had been done and what was further threatened: the blocking of agrarian reform; the permitting of the religious orders to continue their schools, contrary to the provisions of the Constitution; the return to starvation wages in the fields; the granting of amnesties to all monarchists and permission to them to return to the service of the Republican State; and the restoration of a state tax in favor of the clergy, also in defiance of the Constitution. All of this, and what was sure to follow, was Fascism — not frank and rough, from the bottom up, from the gutter to power, as in Italy and Germany — but astute and concealed, as in Portugal, Austria, and other countries where the influence of the Church is strong.

The struggle was inevitable. The uprising in Austria in February 1934, so far from discouraging the Spanish proletariat, filled them with enthusiasm. The feeling was, let us rather die fighting, as in Austria, than be pulverized without a struggle, as

in Germany Heroic defeats are always fruitful History consists of the record of painful achievements, of momentary defeats, which alone make possible the triumphs of tomorrow People remembered the Russian Revolution of 1905, without which the revolution of 1917 would have been impossible

This spirit of combat prevailed particularly amongst the younger workers organizations, which are deeply colored by communist propaganda, more especially that of the Trotsky variety, and in socialist circles One might say that the revolution was the work of the younger proletarians Most of the older leaders either separated from the movement or were carried in the wake of the younger men, without much hope or determination There were magnificent exceptions, but it would be in discreet to name them at this time, when the courts are eagerly searching for a central committee or important responsible individuals upon whom to discharge the wrath of the law and a frightened community When all the details of this extensive and profound revolution can be known, it will be found that the younger workers, and they alone, launched it, even against the wishes of the trade union leaders It was an irresistible movement, starting at the bottom, with the masses who were not prepared to accept Fascism without a struggle The revolutionary tension had reached such a point that, if there had been no explosion, the socialist proletariat would have broken through its trade union framework and become incorporated with the communists and anarcho syndicalists This hitherto peaceful proletariat required this baptism of fire to mark the beginning of a new historical development

With an army of tyros in this form of struggle, the strike suffered from the defects which characterize any untrained and technically unequipped force A modern revolution, if it is to succeed, must be planned like a war A revolution needs military as well as political leaders The former were lacking in Spain Whether they did or did not exist, or whether they did not join in the movement, would not now be prudent to inquire The fact remains that military leadership was lacking Hence the technical weakness of the revolution even where it was most intense, as in Asturias, Leon, and the Basque country The revolutionaries in these provinces, mostly miners, had scarcely any other weapon than dynamite, in the use of which they were skilled The Asturians had rifles and cannon, but were unfamiliar with their use

In their objectives and mass movements they committed grave errors which would easily have been avoided had they been under the orders of army officers.

The insurrection centered in the mining hills of the North. It was helped by the rugged terrain of these regions and the virile qualities of the Cantabrians, whose natural strength is doubled by their herculean labors in the coal and iron mines. It was less intensive in the towns, because these were better defended and the concentration in them of masses of men was more difficult. In Madrid, where I was an eye-witness, except for two or three attempted attacks on barracks, the struggle took place between the government forces in the streets and the revolutionaries who were firing from terraces and balconies. Such tactics may seem futile; but there is no doubt that, when prolonged, they begin to affect the nerves of those who are attacked. At the end of three days the government troops were unmanned morally by the hostilities of an invisible enemy.

In a negative sense the surprise of the strike was the attitude of the rural districts. Central Castille, Estremadura, Andalusia and Aragon responded to the strike, but with little or no violence. This relative weakness can be attributed to two things. One was the disillusionment and resentment left in the minds of the rural proletariat by the general strike engineered all over Spain last spring by the *Federación de la Tierra*, a branch of the *Unión General de Trabajadores*. The leaders of the *Unión General* and the Socialist Party did not lend the strike the moral and material support which had been expected in the country, for they considered the strike to be inopportune and ineffective, as indeed it turned out to be. Without the assistance of the other unions, the strike rapidly declined, weakening the *Federación de la Tierra* and spreading confusion amongst the country people, who felt they had been abandoned. This state of mind explains the half-hearted way in which they took up the strike in October. For them it was too late, just as their strike in the spring was premature and ill-advised for the other unions.

The other factor was the lack of solidarity between the anarchists and syndicalists in the provinces, where they have considerable power of their own. They did not prevent the strike from being general, but they did not wish to give it a revolutionary slant. In this pacific attitude there was also a shade of resentment. It was an answer to or a reprisal for the fact that the so-

cialist organizations had refused to join in any of the four armed insurrections promoted by the anarcho syndicalists. At the same time it must be remembered that the anarchist and syndicalist leaders could not be expected to take a favorable view of the change of tactics in the socialist unions, since the latter might attract their own followers.

Only in the North was there united action between all the working class sections, socialists, communists, syndicalists and anarchists. This is another reason, in addition to those already indicated, for the extraordinary intensity of the insurrection in these regions and the variety of its manifestations, particularly in Asturias. In some places money was abolished and libertarian communism was proclaimed, two typically anarchist gestures. In others a Soviet was established, an obviously communist move. In the majority the socialists predominated, and they, of course, subordinated their local victories to that of the central State. But when Catalonia was conquered and the insurrection in Madrid suppressed, as well as in most of the provinces, the end of the struggle in Asturias was a foregone conclusion.

Nevertheless, it must not be assumed that the government and the parties supporting it are satisfied with their victory. If I am not greatly mistaken, it will be one of the most Pyrrhic victories ever achieved by any government. In the first place, since the insurrection was fairly feeble, for the reasons indicated, the enormous weakness of the government became only too obvious. In spite of its proven valor and iron discipline, the *Guardia Civil* was defeated in almost every case where there was fighting in the country. The government troops could not have withstood sniping in the cities for more than a week. The greatest weakness was revealed by the government's fear of using the regular army, except a few small companies used in Asturias and against the Generalidad in Catalonia. Since the loyalty of the rank and file and a considerable number of non commissioned officers seemed doubtful to such a government as Lerroux's, they were kept in barracks as a precautionary measure. There was scarcely any effort even to use them for transport and other public services.

The insurrection was put down by mercenaries, recruited from Africa, from the *Tercio* — originally a foreign legion, but now restricted as to the enlistment of foreigners — and from *Regulares*, that is, Moroccan soldiers in the service of Spain. The ferocity of these troops is proverbial, and they were used to suppress the

insurrection in Asturias. The Moors could not penetrate to this region from the eighth to the fifteenth century, when they invaded and dominated Spain; and it was precisely in the mountains of Asturias, in a place called Covadonga, that the reconquest began. Now they penetrated to Asturias by sea, invited by the Christians, and paid by the republic to fight the new heretics, the revolutionary miners. This scandalized many victims of the revolution. The atrocities committed by the *Tercio* and the *Regulares*, not only during the struggle, but after the armistice, will scandalize the world when they are known. Rarely has a government exercised so brutal a terror. The traditionalists have always complained of the dark legends invented by foreigners about Spain; but compared with the known though still unpublished facts the darkest legends are pale.

But terror does not frighten. Some people are killed, but the survivors, far from being intimidated, clench their fists in anger and hide their guns for another day. "They beat us this time, but the next turn will be ours," say the fugitives. The bravery and combative spirit of these people are infinite. "With these men," said an officer of the government troops, referring to the revolutionaries, "I could conquer Europe." With these men they can conquer everything, except the men themselves. The civil war continues. Everybody says that the laying down of arms is merely a truce.

The civil wars in Spain during the nineteenth century were the bloody struggles of one oligarchy against another. The present war is one of the proletariat against all oligarchies, against ancient monarchies and new republics whose common denominator is Fascism. The Right would not allow Spain to have a moderate republic, liberal and democratic. The October revolution was the reply. A revolution has begun, but nobody knows when or how it will end. Probably it is too late for a moderate solution, for the restoration of the Republic of April 14.

# THE REALISTIC FOREIGN POLICY OF JAPAN

*By A E Hindmarsh*

FOUR recent deliberate moves by Japan have aroused suspicion and resentment in many parts of the world. By invading Manchuria and establishing the state of Manchukuo, Japan in 1931 issued a challenge to the world's effort to set up workable machinery for the peaceful settlement of international disputes. That challenge went unanswered, for no state, not even China, was prepared to reply in kind. In 1933 Japan began a drive for trade predominance in markets hitherto regarded as peculiarly the field of Western enterprise. To this challenge there was a prompt response in the form of tariff and quota restrictions aimed at Japanese goods. In recent months Japanese leaders have expressed a dissatisfaction with existing naval ratios and have demanded legal equality with the United States and Great Britain. Finally, on April 17, 1934, the spokesman of the Japanese Foreign Office issued an open claim on Japan's behalf to a position of paramountcy in the Far East, seemingly in disregard of the interests of other major Powers and of formal legal obligations.

In other words, Japanese statesmen, usually farsighted and realistic, appear not to hesitate in pursuing aims certain to provoke international ill will. A careful observer should at once suspect the existence of some impelling cause behind these manifestations of aggressive policy. It is not enough to say that the Japanese Government and people are at the mercy of a reckless military clique. The Japanese people are disciplined but neither docile nor unintelligent. They have been presented with a reasoned defense of recent foreign policy, and their constant support is based in large part on a line of argument worthy at any rate of repetition in the United States in the interests of mutual understanding. Japan is confronted with a pressing problem, her foreign policy, whether wise or unwise, can be understood only when it is examined with relation to the necessity for solving that problem.

For at least two decades Japan's foreign policy has been chiefly directed towards the alleviation of overcrowding and unrest resulting from excess population. In 1637 the Tokugawa Shogun, Iyeyasu, closed Japan to foreign intercourse and began an era

which was not to end until the "hermit nation's" doors were opened in 1853. By that time the desirable empty areas of the earth had been acquired by the white races. For a century and a half prior to the Meiji restoration in 1867, Japan's population remained stationary at about thirty millions. Then the New Japan plunged into a program designed and destined to place herself on a plane of material equality with the states of the Western World. During the half-century from 1860 to 1910 the Japanese nation experienced a series of political, social, and economic upheavals fully equivalent in their combined effect to the European Reformation, Renaissance and Industrial Revolution, as well as the French Revolution. Almost overnight Japan was transformed from a mediæval state with a feudal society to a modern state ranked with the Great Powers of the world. The rapidity of that transformation is illustrated by the fact that one may find today in the modern cities of Japan men who in their youth battled in suits of armor and with the deadly two-handed sword of feudal samurai.

The transformation of mediæval Japan into a modern industrial state encouraged a correspondingly rapid increase in population. A whole new class of society, the factory proletariat, was called into being as an inevitable accompaniment of the industrial revolution. People flocked to rising industrial centers, which trebled in size from 1890 to 1925, while the population of the countryside increased only seven percent. Government-created factories called for workers, and the overflow of the farms provided them. In the first four decades of modern Japan, from 1875 to 1914, the population nearly doubled. This population increase was welcomed and absorbed. By 1925 Japan found her industrial labor markets saturated; but the population increase continued. Japan had advanced in the Western sciences of medicine, sanitation, engineering, etc., to a point where she assured her people of a "European" death rate of 17.72/1000, while they continued to increase at an "Oriental" birth rate of 32.92/1000. Moreover, this birth rate grew at a pace unparalleled in history (25/1000 in 1872, 32.92/1000 in 1926). The net result has been an alarming increase in population, far beyond the normal needs of the industrial growth which gave it impetus. In 1932 the natural increase, i.e., the difference between births and deaths, reached the peak of over one million. Today, the population of Japan proper is 66,000,000 and the most conservative Japanese study shows the

probability that by 1950 it will reach 78,000,000. After that time, assuming the present tendency towards lower fecundity continues, annual births will decrease and the population will probably never exceed 94,000,000. Japan, therefore, is facing a situation which cannot be deemed insoluble, but it is one which calls urgently for immediate alleviation.

What does this mean to the Japanese people? Each year for the next fifteen years there will be an additional million mouths to feed, and 250,000 new jobs to find. With 959 inhabitants for every square kilometer of cultivated land, Japan's population, in terms of persons per unit of cultivated ground, is twice as dense as that of China. It is said that a common impression of Western travellers in Japan is a feeling that one is constantly moving in cities and suburbs of cities. The effect of over population is not so apparent in the size of the unemployed in the cities as it is in the excessive cutting up of land holdings, which are split into smaller and smaller plots to absorb the increase in family numbers. The average agricultural family of five today extracts a living from about two acres of soil. Economic and social pressure urges young men to compete fiercely for relatively secure positions in the government service. A few months ago 10,000 candidates competed for 465 places in the military academy, 300 Imperial University graduates recently fought for eleven places in the diplomatic and consular services. All branches of the government are over supplied with officials, and it is not uncommon to hear competent observers state that the Japanese bureaucracy is as large and ubiquitous as it is simply because the government has been practically compelled to create places for the thousands of ambitious and brilliant young men who come forward year after year from the colleges and technical schools. Frequent suicides among young intellectuals are ominous of middle-class distress.

How to check this remarkable increase in population or dispose of the excess is Japan's pressing problem. For two decades Japanese leaders viewed the situation with increasing alarm and have examined four possible remedies.

1. Birth control is immediately suggested as a remedy. It cannot solve the problem, however, for the simple reason that the workers are already born. Moreover, the mass of public opinion is so hostile to this suggestion that it is practically never proposed, even as a future palliative. It is not unusual to hear the



suggestion opposed as a foreign plot to undermine Japan's prestige. There is also some religious hostility based on the view that "ancestors are entitled to the good deeds of many descendants." In Japan family worship remains both a sacred and a patriotic duty. Birth control offers no immediate or effective solution to the existing problem.

2. For a short time emigration seemed to offer possibilities, but its limitations are now only too obvious. The Japanese people are extremely reluctant to leave their homeland, even for lands where opportunity is great and conditions are inviting. Their natural inhibitions are fortified by geographical and legal prohibitions. In the lands which are still legally open to Japanese immigrants, the climatic conditions are forbidding or attract workers with whom the Japanese cannot compete. The tropics, for example, entail competition with natives or Chinese laborers working under a standard of living which Japanese laborers cannot meet. Manchuria possesses a climate in the main too rigorous for Japanese farmers. The government finds great difficulty in inducing colonists to go even to the Japanese islands of Hokkaido and Formosa. Korea was once regarded as an outlet for Japanese colonists, but the fact is that the number of Koreans who have emigrated to Japan since 1910 exceeds the number of Japanese who have emigrated to Korea in the same period. The United States and the British Dominions have legally closed the door to Japanese immigration. Only South America remains, and there Brazil alone seems to offer opportunity. In spite of the subsidies which the Japanese Government has offered, however, Brazil has attracted less than 150,000 Japanese to date. Even this outlet is apparently soon to be closed, for a Brazilian constitutional amendment of May 1934 drastically limits the entry of Japanese.

This turning of the tide has been general in nearly all countries which in the past have attracted Japanese emigrants. The year 1930 showed a decrease of over 30 percent in the number of Japanese residing abroad as compared with the previous year, and the decrease has continued. Official sources attribute this fact to "unfavorable social and other conditions." The total number of Japanese emigrants abroad today represents less than half the annual net increase in population at home and the number of repatriates tends to increase.

3. The possibilities of improving agricultural methods and extending cultivated areas in order to increase home food supplies

and absorb rural labor are not great. It is estimated that a general increase of 20 percent in agricultural returns might be effected by a greater use of scientific methods, grain selection, rotation of crops, and use of fertilizers, and steps are being taken in this direction. The government is attempting also to extend the rice-growing area in Central and Northern Japan. By applying both intensive and extensive agricultural improvement, it hopes to add the equivalent of 75,000 acres yearly to production totals. This is inadequate, however, not merely because the maximum yield per acre is being rapidly approached, but because 142,000 acres must be added each year to meet the rice requirements alone of the annual increase in population.

4. Birth control, emigration, and agricultural improvement have all been examined or tried as solutions for population pressure without satisfactory result. The Japanese Government has chosen to meet the situation by industrialization at home. It has been found an easier task to export merchandise than to induce Japanese to settle abroad or to persuade unwelcoming countries to accept them. Extension of the economic frontier has, in the case of Manchuria, resulted in extension of political control, but even there the motive was protection of economic interests. In essence, industrialization means the creation of large manufacturing centers which will absorb the surplus farm workers. Japanese goods are now flooding world markets, and the proceeds are used to purchase food supplies and raw materials with which to feed the excess population, give them jobs, and provide new exports.

Japan's challenge is to the industrial states of the West and in the field of industry. Paradoxically, she lacks nearly all the requirements of modern industrial development. Great Britain and the United States control sixty percent of the world's coal, Japan's reserves of  $7\frac{1}{2}$  billion tons will last less than forty years at a stage of industrialization equivalent to that of Germany. There is in Japan no geological promise of oil, and today she imports sixty percent of her needs. Her supply of iron-ore is limited to a few deposits which produce less than half the output of Luxembourg, with a population of 300,000, the equivalent of her total reserves is consumed every twenty months in the United States. More than half of her iron and steel supplies come from overseas. Two-thirds of her water power is already harnessed and in use. Finally, she imports practically all her cotton, rubber, lead, zinc, sugar and

dyes. Raw materials, indeed, constitute seventy percent of her total imports and must continue to come from overseas in increasing proportion. The outlying possessions of Korea, Formosa, and Karafuto consume the whole of their output of coal, ore, and cotton. It is not unnatural for Japanese leaders to regard Manchuria as a "life line," for that territory offers deposits of coal, iron ore, cotton-growing areas, and huge supplies of the staple food, soya beans. The coal resources of Manchuria are frequently minimized, but the South Manchurian Railway Company estimates the reserves at 2,700,000,000 metric tons. More than 2,000,000 tons of Fushun coal are exported to Japan yearly from a reserve of a billion tons. Fushun coal, like the 100,000,000 tons in reserve in Penchi, is of superior quality. Manchuria, and indeed all of North China, must loom large in the industrialization plans of Japan.

In her aggressive policy towards China, Japan has given evidence of her determination to control the immediate sources of those raw materials which are necessary to bring about the industrialization of her homeland. But industrialization involves also the sale of manufactured articles in foreign markets, and Japan has learned that an aggressive foreign policy does not guarantee or create stable markets for exports. That the Japanese drive for export trade which began in 1932 has been over-successful is shown by the threats and measures of reprisal employed by her chief competitors. Her export trade has increased in two years by 63 percent, from 1,146,000,000 yen in 1931 to 1,861,000,000 yen in 1933, and the gain has continued month by month this year, until Japan is now the world's leading exporter of rayon, cotton textiles, matches, and raw silk. Last year her textile mills paid dividends of 18 percent. Her sales to Latin America for the first three months of 1934 doubled those for the same period in 1933. Her exports to the Philippine Islands in the first quarter of 1934 almost doubled those of the first quarter of 1933. In 1932 her exports to Afghanistan totalled one million yen; in 1933 they jumped to twenty-three million yen.

Several factors have contributed to the success of this export trade offensive, but none of them can be called purely accidental. Labor costs in Japan are low, not merely because a simple standard of life prevails among her laborers, but also because her mills and factories are equipped with up-to-date machinery. On a Toyoda spinning machine one operative cares for from twenty to

forty spindles, and the number tends to advance, in England the average is from four to eight, and the number is stationary. By going off gold, Japan gave her foreign customers a price reduction of some sixty percent on Japanese goods. The government has made free use of subsidies, especially to shipping interests, which are thereby induced to extend their services into remote markets. Competent observers have noted the high degree of unification of promotional and sales work, including coöperation in manufacture, unified governmental export control, conditioning and inspection, preferences to Japanese financing, insurance, warehousing and shipping, and the establishment of sales agencies abroad. Trade missions and display boats, or "floating sample marts," are constantly opening up new fields — along the African coast, in Egypt, India, Brazil, Ecuador, Morocco, Australia, Java, Iraq, Persia, and Afghanistan. If potential customers have no cash, barter terms are proposed. It was recently reported that Japan had offered to trade 100,000,000 yen worth of warships for Brazilian coffee, and one warship for a quantity of Mexican oil.

Mere enumeration of the factors which have enabled Japan in recent months to undersell her competitors in markets traditionally monopolized by them indicates that Japanese manufacturers have simply become all too efficient in Western industrial methods. American, British, and French warships compelled Japan to open her doors and to accept the material standards of the West. Now Japan finds that she can alleviate her population problem only by an industrialization program which menaces the economic superiority of her aggressive tutors in fields long peculiarly their own.

In the fall of 1931 the virtual military conquest of Manchuria by Japan startled the world. The Sino-Japanese crisis, with all its issues, was brought before a world tribunal for debate and a mild form of judgment. Since 1932 Japan's trade offensive has been even more effective and successful than was her Manchurian venture, but no world tribunal exists to try the merits of Japan's case. In reality, *political control of Manchuria is merely incidental* to Japan's industrialization program, for the impelling reason behind the Manchurian episode was Japan's need for more direct control of raw materials and markets in the interest of expanding trade. Japan's trade offensive is a more real manifestation of her foreign policy than the military conquest of Manchuria.

Japan's dilemma lies in the fact that she can succeed in her

plan of industrialization only if she pursues an aggressive foreign policy which must, for various reasons, provoke the resentment of China, Russia, Great Britain, and the United States. All of these Powers are interested in China, Japan's chief source of supply both of materials and markets, and Great Britain is vitally affected also by Japan's invasion of other trade markets. But, just as Japan allowed no abatement of her activities in Manchuria as a result of the League of Nations criticism, her present trade drive continues in spite of tariff and quota reprisals laid down by other countries. Japan believes that people will inevitably tend to buy in the cheapest market.

No government faced with this problem could long avoid the enunciation of a foreign policy designed to meet the requirements of the situation. It is apparent, for example, that in China Japanese foreign policy must find its test, that Japan has a greater interest in seeing peace and order prevail in China than has any other state. Not only does she have direct investments in China exceeding a billion and a quarter dollars, but her dependence upon China as a market and source of supplies increases yearly. Japan's trade with China constitutes 24 percent of her total foreign trade (as compared with  $3\frac{1}{2}$  percent in the case of the United States and 1.6 percent in the case of Great Britain). It has been pointed out that for the past sixty years every phase of Japan's intellectual and moral evolution has impelled her to turn away from China. But now economic forces are reuniting her more closely than ever to the continent.

In the light of these considerations, the "special position" which Japan claims for herself in the Far East, a claim which is frankly set forth in almost every declaration of Japanese foreign policy made during the past three years, is at least an understandable matter. That special position is the total of Japan's exceptional treaty rights in China, plus the natural consequences of her geographical position, now rendered more vital by the existence of a pressing population problem the solution of which has been both necessitated and resented by the Western World. The Foreign Minister of Japan has recently declared that his government "has serious responsibilities for the maintenance of peace in Asia, has a firm resolve in that regard," and that his country sincerely hopes for the political and economic rehabilitation of China.

From this claim to primacy of interest in Far Eastern questions and events flows also a claim to naval armaments equal in

strength to those of other Great Powers. The interests of these, the Japanese say, are no more extensive than those of Japan. A prominent Japanese writer has asked us to imagine Mexico magnified  $2\frac{1}{2}$  times in area and 20 times in population, and the United States diminished in area by 90 percent and in population by 20 percent, stripped also of the surplus part of its abundant natural resources and yearly more crowded for room — then, he says, we will have a vivid image of Japan's outlook on China.

Japan's foreign policy may ultimately fail of its objective, but it is nevertheless a realistic policy, based on something more fundamental than a mere militarist concoction. Nor can we assume that a change in government will change the situation, for the policy here outlined seems to offer the only lasting solution. Japan sees herself as contiguous to the two greatest and most restless nations of the world, and yet day by day more dependent economically and strategically on the one of them which is directly subject to the disrupting influence of the other. Her apprehensions may be exaggerated, but they are the mainsprings of her present active policy, and that policy deserves more effort at understanding than is shown when it is dismissed as mere military madness.

# GERMANY: BATTLEFIELD OF THE MIDDLE CLASSES

*By Sigmund Neumann*

THE chief aim of Germany's post-war foreign policy has been to get rid of the burden of Versailles. Whether by destroying the treaty by means of her own power; or through an alliance with Russia to combat the "western capitalistic system" and the treaty that was its symbol; or by a rapprochement with England and Italy which might make them new allies; or by means of a direct understanding with France — whatever the form, Germany's aim has always been the destruction of the intolerable treaty. In this aim all her politicians agreed. Their differences seemed to be a matter of political temperament. But it was more than that. There were different types of politicians fighting for the upper hand. They belonged to different social worlds, or at least they thought so.

The struggle over the course to be taken by the German Republic in foreign affairs was fought out in three phases, which marked off at the same time three main periods of internal development. The first epoch ended with the liquidation of the Ruhr struggle and the stabilization of the German mark; the second ended with the Hague settlement and the collapse of the great coalition between the German People's Party and the Social Democratic Party; the third reached its culmination in the seizure of power by the National Socialists in 1933.

The first five years after the Armistice were marked, so far as internal politics went, by the effort to establish and consolidate the Republic. There can be no question that the masses generally longed for peace after the convulsions and losses of war; but from the very first day of the breakdown of 1918 there existed also the idea of a *levée en masse*. The warrior had not yet returned home. A part of the fighting spirit was preserved in the revolutionary spirit.

Every decision in German foreign affairs during this epoch was unstable. The internal struggle regarding the acceptance of the Treaty of Versailles remained undecided until the last minute. The reception of the London ultimatum (1921) and the development of the struggle in the Ruhr demonstrated the unsteadiness of German policy at this time. This instability was in no small

degree caused by the policy of the victorious Powers, which made it difficult even for those groups which aimed to bring about a reconciliation to persist in their ideas. In this sense there was no clear distinction between Right or Left wings. The political fronts coincided only superficially with the party groups. A struggle went on daily in the soul of every German.

Nevertheless, there were distinct types confronting each other. Graf Brockdorff-Rantzau and Mathias Erzberger were characteristic opponents during this decisive time. There is no doubt that the Germany of the "policy of fulfillment" was not solely composed of types of the petty-bourgeoisie like Erzberger, but even less would it be true to say that the resistance to the proposed treaty was made up wholly of people so aristocratically minded as Brockdorff-Rantzau. Hermann Mueller, the Social Democratic leader who signed the Treaty of Versailles, showed vivid heroism in spite of his petty bourgeois make up. Walter Rathenau, too, later Minister of Foreign Affairs, was far from Erzberger's world, and by his appeal to the nation for a *levée en masse* in October 1918 (as an answer to the military's confession of collapse) showed that he was not a simple advocate of fulfillment. On the other hand, Helfferich, who shortly became the spokesman of the German nationalist opposition, was a calculating upper middle-class type with a wide international outlook like Rathenau's. In spite of these obvious differentiations in political leadership, Brockdorff and Erzberger may be taken as representing to some extent the contrasts of this first epoch, embodying the genuine qualities and fatal limitations on both sides.

A petty bourgeois Germany and a revolutionary military Germany stood face to face. Erzberger's advice was "We must admit everything and then they will forgive us." And again, "In politics you must negotiate with your opponent just as a merchant deals with his partner." These words of the former school teacher in a small Black Forest town were what would be expected in a man of busy activity and easy optimism. His policy was accepted by a people longing for rest and new hope after four years of war. But good nature and self satisfaction were not up to coping with great diplomats. Neither was there any bridge from the world which Erzberger represented to the fighting Germany which had not yet returned home.

At first this other side of post-war Germany — the fighting side — found no real representative. Its old leadership was com-



promised by the manner in which the war had ended, and dismayed by the sudden collapse of the German Empire. True, a band of young men in the Baltic provinces and in Upper Silesia showed that there were still soldiers always ready to fight, but on the whole it did not amount to more than a private army of a militia type. Captain Erhardt — the real leader of the Kapp-Putsch in March 1920 — did not become the Napoleon of the German Revolution. It did not even find its Trotsky.

Nor was Brockdorff-Rantzau the real representative of this militaristic Germany. Characteristically enough, it was not a big landowner of the German East who took the leading part in the struggle against Versailles, but the "Red Count" rooted in the pre-Prussian traditions of Schleswig-Holstein, long known for his politically Left inclinations. At bottom an aristocrat with a world perspective, very lonely in his way of life, he did not separate himself from liberal democracy until at Versailles the latter renounced what seemed to him all possibility of Germany's defending herself in foreign policy. His proud bearing at Versailles, and his unread speech prepared for the National Assembly at Weimar to prove that the treaty could not be fulfilled, made him the symbol of the resistance to Versailles. "The decision which I expect from you is the declaration of inexorable struggle against capitalism and imperialism, the document of which is the Treaty of Versailles." Weimar accepted the Treaty, and he resigned. As German Ambassador at Moscow some years later he tried to strengthen the relations between Germany and Russia and to prepare for the realization of his cherished idea: "I believe that the mischief of Weimar can be put right later on from Moscow."

The first epoch was brought to a close by the conflict in the Ruhr. This had started as a demonstration of the whole German people's united spirit of resistance; its collapse seemed to end the hope of a military solution of Germany's problems. For France it connoted the end of an epoch as well, because the occupation had not been a success. The French elections and the victory of the Left Cartel proved this. Thus the Ruhr adventure cleared the atmosphere by demonstrating the limits of direct action.

After this, politics took a fresh turn. The new era was clearly characterized by the personalities of Briand and Stresemann, and it proved to be the only post-war epoch during which there were real French-German conversations. These were possible because the meetings between Stresemann and Briand and Herriot were

meetings of representatives of the European burgher class, speaking the same language and holding the same values. Upon this fact depended the whole policy of Franco-German understanding and the so-called spirit of Locarno.

Stresemann had grown up with the ideals of 1848. As a student he had opposed the changes in those ideals that overtook the majority of German students, as a minister he tried to make those ideals appeal to a new student generation. He was almost the only republican minister who awakened some response in academic circles. Meantime the ideals of 1848 had changed considerably. The German national liberalism of the Bismarckian era had brought about a characteristic union of "property and culture." That made it the representative of the upper middle classes. Idealism and practical policy became insolubly combined, and with them, in a very strange mixture, liberty and power. This led to the stabilization of constitutional law at home and a powerful policy in foreign affairs, *et* economic expansion and the building up of sea power. As a matter of fact, the middle classes resigned their influence upon internal affairs. What remained was only an apparent retention of the constitution. This was the compromise which the middle classes accepted after their political defeats of 1848 and the so-called conflict of the constitution between 1862 and 1866. The middle classes were deprived of all sense of political responsibility, but it was only after the war that the serious consequences of this became evident. With these developments came a decisive change in the middle classes themselves, characterized by the replacement of a politically-minded "burgher" by an economically minded "bourgeois."

The German Republic offered the chance for a retransformation, for the re-birth of a political middle class. Stresemann seemed to be the clear expression of this tendency — the reawakening of the traditions of 1848 and the enlargement of those traditions by the adoption of the world-wide view of national policy which opened up early in the new century. Stresemann showed this peculiar mixture of idealism and realism. This dreamer with the eyes of Coepenick Street (the miserable district of Berlin where he was born) was a connoisseur of literature and at the same time head of an industrial association. It was by no mere chance that he became the founder and leader of the German People's Party. Even in pre-war times Stresemann, by founding and leading the industrial association of Middle Ger-

many, fought for small industry against the domination of the heavy industry of the Ruhr. He really represented the German people; even in outward appearance he was of a type usual in Germany. The German People's Party found election successes easy with the simple catchword: "Don't bother about the others, you vote as Stresemann will." Perhaps his brain worked faster than the average German, and he was more versatile, but he had the same conceptions. It is interesting that Prevost in his "History of France Since the War" has described Herriot in the same manner: "He is an average Frenchman — a stronger dose but the same mixture."

Stresemann was not a revolutionary; he was at bottom uncomplicated, simple, affirmative. He was not shaken by crises in belief. He was not an insurgent by nature. He was a liberal in the fullest sense of the word, particularly in his idea of mankind. His nature was happy, impulsive, with strong tensions but reconciled contrasts. Almost automatically he achieved an inner harmony, and transferred it from his personal philosophy to the world. Thus with that naturally liberal optimism which regards the whole process of the world's history as nothing but a gradual evolution toward the good, he saw great perspectives opening up where others scarcely perceived the first feeble tendencies. It was said quite rightly that his approach to Lord D'Abernon, the British Ambassador, rested upon simply a lack of mistrust.

Here lies the basis of Stresemann's whole foreign policy. His first success rested upon his going halfway to meet his adversary. He did not claim the maximum in order to get half. But the Locarno Pact was not the result of just a tactical manoeuvre. Stresemann's policy of understanding raised the dispute over Versailles to another level, and brought at least a temporary economic solution in its turning away from the Dawes Plan to the Hague Conferences. The understanding with Briand, however, was more than that. It was based upon a common human ideal, the same social standard of values. It happened that two European statesmen met. But it is not chance that the meeting was the most fruitful of the long series of German-French discussions since the war. It is a tragic fact, as Professor Toynbee has rightly pointed out, that the Stresemann-Brüning régime in Germany and the Herriot-Daladier régime in France were not only not contemporaneous, but actually did not overlap — except in this Locarno period, which was only a beginning.

This policy of understanding — the second period of Germany's post war foreign policy — was frustrated just when it had apparently triumphed with the evacuation of the Rhineland. This can be explained only superficially by Stresemann's death.

At bottom the third epoch which then began, and in which the rise of National Socialism was already foreshadowed, demonstrated how fragile was the basis of Stresemann's policy. In the economic field this became generally evident in the banking crisis of June 1931. The prosperity of 1924-29 was only a boom on credit produced by foreign loans for German finance. Thus the consolidation of the Republic in this epoch proved to be only apparent. This was true in a much deeper and non economic sense. At the beginning came the inflation — in many respects the price paid for stabilization. Business, freed from debts and obligations, found a new starting point. But it was not until five years later that the social effect of the inflation, and the political consequences, became evident. It meant the beginning of the end for the middle classes. And this occurred just at the advent of an epoch which promised under Stresemann's leadership to give the middle classes predominance. From now on it was not only a middle class broken by the pre-war development in Germany and handicapped by its own lack of political consciousness, now it had been shaken to its very foundations. The year 1929 demonstrated just how far the "property and culture" of the former liberal middle classes had disappeared. From now on they were without their original power of resistance and capacity for influencing their environment. After this convulsion the king pin of middle class values — the idea of security — was shattered.

The process began with the shrinking of all economic security in the period of inflation, which withdrew the guarantee which middle class people enjoyed by virtue of their training, occupation and standard of life. The authority of money was diminished. Money had been the measure of social prestige in the nineteenth century, identifying, according to Guizot's well known formula, wealth and the moral good in middle class civilization. The hierarchy of property still existed *de facto* but no longer *de jure*. The possession of property was more and more generally condemned in the popular judgment and even among well-to-do people. In any case, with the loss of property the burgher ideals of property and saving lost ground. From this side, too, the ideal of the individual was attacked. It is no mere accident that (as Pierre

Vienot rightly pointed out in his "Incertitudes Allemandes") in Germany at that time one did not ask: "How are your affairs?" or: "Do you earn much?" but: "How is the economic situation?" This tells only a little about the current practice but much about the public's opinion of the validity of the economic system. Here is the social-psychological root of socialism, even though of a vague and ambiguous variety.

The disturbance was of course not restricted to the business world. It touched all spheres of life, including foreign politics. Established orders, treaties, contracts, mutual understanding in arranging a dependable sphere of action, are no longer valid when the foundations crumble. The burgher is ready at such an hour, feeling that his internal economic security has been betrayed, to speak for an extreme revolutionary foreign policy — even if only to gain thereby compensation for his lost security in the internal sphere. This is the more true of a younger generation grown up in wartime and revolutionary chaos, which never knew the security of a bourgeois existence and which could only hope to alter the entire uncertainty and hopelessness of its future by a bold stroke. Here the often-discussed problem of the older and younger generations was strikingly in evidence. The 1929 plebiscite of the Hitler-Hugenberg-Seldte front against the Young Plan, although a failure, brought the first organization of a new orientation in foreign politics. It was the hour when the Hitler cabinet of January 30, 1933, was really born.

In 1929 the economic world crisis began. In Germany it revealed the breakdown of a surface boom. Simultaneously Germany experienced — as did other countries in lesser degree — the rebirth of the war as reflected in literature. After a period of ten years there was a peculiar revival of interest in war experiences. It was at once the resurrection of the warrior and a demonstration of antagonism towards him. The soldier had never been absent in Germany during Stresemann's period. His unrest had not been overcome and subdued. He had only stepped into the background. He lived on in many military political leagues. And now he got into touch with the new social groups that were pushing toward an anti-bourgeois reaction. The social revolution massed them together and gave them a revolutionary impulse.

It has been sufficiently demonstrated in political literature that this crisis extended far beyond the economic realm. It invaded all spheres of life and affected — maybe as an outpost's skirmish —

the whole of European thinking. No wonder it touched general European foreign policy, which was substantially the burgher policy of security. In Germany, the Stresemann effort at reconciliation seemed to be submerged. The various inconclusive moves of German foreign policy (such as the proposal of an Austro-German tariff union in 1931) pointed to a revolutionary change.

It is, however, true that the Stresemann influence extended further into this third period, which reached its culmination in Hitler's seizure of power, than the collapse of the Stresemann policies seemed to indicate. The years 1924-29 in Germany, although in retrospect they seemed to be merely a surface boom, diffused an extraordinary amount of burgher philosophy even among the proletariat classes. The economic crisis and the following enormous unemployment eventually destroyed this development. Nevertheless these years of stabilization to a certain extent brought about a social readjustment by providing a rest period in which burgher values could revive. This had a definite influence on the generation then growing up. Simultaneously the pre-war generation staged a "come-back." The war had meanwhile killed the best representatives of the wartime generation, and had destroyed the bourgeois way of life for many of those who returned home. They seemed almost forgotten. Grandfathers and grandsons now joined hands over their heads, leaving them behind as unfit for the daily struggle.

This break disturbed the inner continuity between one generation and the next. Forces accumulated, ready to burst through in a crisis. When the crisis came the forgotten generation and the youngest generation joined hands. It was this reinforcement of the warriors of 1918 by the post war generation — more bourgeois-minded, yearning for order and security — and their joint success in winning over some bourgeois pre-war politicians, which laid the foundations of the victorious National Socialism of 1933. Thereby it differed from the first insurrection of 1923, which had been destined to fail because it was an incipient revolution of the warriors alone. National Socialism meanwhile turned to legal methods, not only out of tactical considerations, but because it found itself face to face with a society which had undergone *Verbürgerlichung* (the process of becoming bourgeois-minded) in the period of stabilization. And in spite of all its penetration by revolutionary doctrine, National Socialism itself became to a considerable extent bourgeois-minded.

The divided nature of National Socialism now that it is victorious, which renders so difficult an accurate interpretation of its future, rests in no small measure upon the mixture of social types which compose it, rooted as they are in different generations and in different experiences. This fact also gives a peculiar stamp to its foreign policy, itself a mixture of warlike and heroic attitudes and a striving for burgher security.

The widespread consternation abroad which followed the National Socialist seizure of power in Germany was quite similar to the general suspicion in which Russia and Italy were held for many years after the bolshevist and fascist revolutions. Different principles of foreign policy seemed to confront one another. Real coöperation with foreign powers was impossible because the approach to international problems was fundamentally different on each side. The world of the burgher, which evidently also included large masses of the skilled workers, was confronted by a new revolutionary world which doubted all its values. An entirely new idea of foreign policy seemed to prevail.

In the burgher's world a fixed system of security, a comprehensive organization and the legal regulation of contracts guaranteed property and stability. French post-war foreign policy was based upon such principles and determined to a large extent the whole European post-war diplomacy. The idea of the League was also to some degree based upon these principles, although overshadowed by the fact that the French system of security practically meant a guarantee for the Treaty of Versailles.

In a modern realistic view, Geneva may be defined as the chessboard on which the great game of world diplomacy is being played. For many of the League's champions, however, it means much more than that. For them, behind this institution stands the middle class idea. The world parliament took over into the sphere of international relations the internal methods and institutions of parliamentarism, the basis of which was reliance upon discussion and negotiation instead of force and violence to settle group conflicts. Discussions and publicity and their result — generally recognized laws — were the fundamentals of the parliamentary state. It grew up during the period of enlightenment. There existed only one ideal state, just as there was only one way of arriving at truth, that is, by reason, which was the yardstick for every deed and attitude. This epoch of rationalism coincided with the awakening of the modern European middle

The moratorium of June 1934 made a deeper impression abroad than the withdrawal from the League in October 1933

Nevertheless the causes of tension are more deeply rooted than what has just been said would indicate. The economic is only a part — though a very important part — of a nation's general attitude. Economic unrest is heightened so long as the inner forces of the revolutionary state remain uncertain and hence so long as the tendencies of its foreign policy are not clear. Even a leader's true wish for peace may be weakened by the inner dynamics, the revolutionary driving power, of his movement. Some times his revolutionary speeches which so alarm the world are only meant for home consumption. In those cases they are evidence of inner tension and represent an attempt to divert attention from domestic to foreign problems. Modern European history gives us many examples of such a relationship between internal difficulties and adventures in the foreign field.

The acute need of a dictatorship based upon "plebiscites" and popular acclaim to show successes in foreign affairs is illustrated by the policy and destiny of Napoleon III. Bismarck, his greater and more successful opponent, seems to have been right when he said "With foreign political successes you can win over your internal opponents. Give the people glory in foreign politics and they will be ready to renounce domestic rights."

This connection between foreign affairs and internal politics is especially revealed in the so-called "totalitarian state." Its claim to totality in inner politics is generally based on a real or presumed danger from abroad. In wartime all opposition and discussion must cease, personal liberty no longer exists. The best argument for this sort of suppression is the country's peril. War is a dictatorship's beginning, its demand, its test. Therefore it centers its propaganda on building up the fighting spirit. The younger generation especially may not take the propaganda platonically, but literally. It may prefer the dangers and the power of a soldier's life to the security of the burgher's.

It is, finally, the missionary idea of every revolution, its internationalism, which stirs its neighbors. As long as there is no proof that the revolution will stop at its own boundaries, it is suspected of endangering the peace of an ordered world. Fascist Italy has gone through a period of world suspicion. Soviet Russia's foreign affairs have been even more marked by the tension arising out of such suspicion. Its recent approach to the states of Western Eu



rope is based upon its definite adoption of an outspoken burgher policy in international relations. Litvinov's system of pacts is in one line with French policy. The Soviet Union is no longer outside the League of Nations. This change was preceded by a long inner struggle, part of the historical fight between Trotsky and Stalin. It may be that internal considerations dictated the cessation of the foreign revolutionary activity of the Third International and its diversion into efforts to make a success of repeated five-year plans. But it was more than the renunciation of aggressive policy which calmed the European Powers; it was the Soviet Union's adoption of a European policy of security through mutual pacts. Security against foreign interference had indeed become a prerequisite for the development of Soviet Russia's own internal plans. Thus she seems to have become a strong ally in the fight for the European *status quo* and against every revolutionary peril which might endanger her own internal development. It may be only tactics; if so, these tactics are very efficacious in the present European situation.

In its fear of a new revolutionary power, Europe makes its peace with the old revolutionary who offers at least a truce. Here is the explanation of the radical change in European politics since the rise of the Third Reich. In the end, Germany, too, may tend towards the same burgher policy as the other countries. But the mere possibility that Germany is leaving the common line of European policy threatens European security. By her geographical position Germany is the "heart of Europe." The effort of the European Powers, led by France, is to forestall the revolutionary peril by binding it by obligations and treaties and security pacts. But the real desire for security is not satisfied so long as there is no trust in the fidelity of those who pledge their faith. Trust presumes a common world in which all are partners. Doubt is sufficient to make every treaty ineffectual.

We cannot yet decide where Germany really stands in the struggle to determine Europe's future. Yet the deep causes of the violent tension pervading Europe become clearer when we consider the struggle over social principle which underlies the day-by-day development of German foreign policy. Germany has become the battlefield of the European burgher. The fight is not yet ended. Foreign affairs — seemingly on the periphery of these social developments — not merely reflect the course of this struggle but become in the end the historical test of the burgher order.

# THE ENEMIES OF DEMOCRACY IN FRANCE

By *Julien Benda*

The report that a dictator had been elected was painful to all honest men — *Cicero*  
*Ad Quinctium fratrem*, III 8 4

**F**RENCH democracy has two sets of adversaries today  
enemies of the Right and enemies of the Left

## I THE ENEMIES OF THE RIGHT

Taken by themselves, the enemies of the Right are not very dangerous. They comprise 1 Members of the old privileged classes who are full of bitterness at a regime that has stripped them of their privileges (the old monarchy itself began the business, but that fact they have forgotten) 2 People of clerical affiliations who cannot forgive democracy for denying to the ecclesiastical authorities any part in the government of the nation (the old monarchy did the very same thing in practice, but never as a matter of principle) 3 The wealthy business class, the upper bourgeoisie, which views the democratic system as a door opened to the proletariat for some day relieving it of its property 4 Intellectuals and writers in the pay of the wealthy bourgeoisie, who moreover are offended in their aesthetic sensibilities by the spectacle of a society lacking in hierarchical order, without a trace of that subjection of the part to the whole which to an artist is so large a part of the beauty of a Gothic cathedral 5 Snobs — people who are naturally full of contempt for an equalitarian system and who imagine that by giving expression to such contempt they somehow or other acquire recognition of their superiority, opposition of this type is characteristic more especially of women

One individual may of course belong to several of these categories. For example, a nobleman who hates democracy for taking away the privileges that went with his title, may also fear it in his rôle as an uneasy property holder. A business man who hates it as a capitalist may also despise it through snobbery. A writer who is reactionary for reasons of aesthetics may also be reactionary out of snobbery and because he is a capitalist in a small way.

The anti-democratic opposition of the Right is embodied in a doctrine — the doctrine of the *Action Française*. It consists of four

planks. They are: 1. the reëstablishment of absolute monarchy; 2. the reëstablishment of a preponderant Catholicism; 3. the restoration of political inequalities of classes; 4. the restoration of the old hereditary laws.

This platform is altogether satisfactory to four of the five groups I have mentioned; it satisfies the old privileged classes, the clericals, the writers, the snobs. But it does not win the adhesion of the other remaining group, the group that politically is the most important. The wealthy bourgeoisie is perfectly willing to slow up the march of democracy, but it wants to do so for its own profit and not for the benefit of the old feudal nobles, as would be the case if it accepted the reëstablishment of political inequalities among classes and the old laws of heredity. We have here a mistrust that is a matter of tradition with our bourgeoisie: one has only to recall its bitter resistance to the revival of primogeniture under the Restoration.

This stubbornness of the bourgeoisie explains a situation which must seem paradoxical to foreigners, namely that while France is apparently so eager for a strong régime, the Royalist Party should have so little chance of success. There is also another reason. The people of France remain almost totally indifferent to the Royalist Party because its platform contains no reference to economic reforms. The French working man has no interest in a party that has nothing to say to him on the social question, except that in the society which it proposes to found there must be some who command and others who obey and that he is forever destined to be barred from the former group. The dogma of a "king who will be the father of all his subjects" and "an impartial arbiter in conflicts between labor and capital" also fails to catch the ear of the shop-worker. The same fate befalls Maurras's slogan<sup>1</sup> that "the soundest guaranties of all the rights of the lowly are inseparably bound up with the advantage and prosperity of the strong."

In a word, the Right opposition can count only on the *salons*, that is "society,"<sup>2</sup> and on literary circles. By itself it is not dangerous to democracy. It becomes dangerous only through a possible combination with another opposition.

<sup>1</sup> "Dilemme de Marc Sangnier," p. xiv.

<sup>2</sup> Some may say that "society" means the bourgeoisie. This is true to the extent that the Right opposition can count on the bourgeoisie as a matter of snobbery, but it is not true as a matter of politics. Society, in other words, has the women of the bourgeoisie, not their husbands. It is within that class that "votes for women" might spell a danger to democracy.

## II THE REAL ENEMY OF DEMOCRACY FASCISM HOW IT IS OF THE LEFT

Let us now speak of an enemy that is really dangerous to democracy and that stands not to the Right but — at least as it claims — to the Left

Fascism claims to be of the Left. It challenges democracy, not as the Right does in the name of the past, in the name of tradition, but because, on the contrary, it claims from the standpoint of historical progress to surpass democracy by overstepping it, by making of it an outworn instrument fit only for a place in a museum. It pretends to be replacing democracy much as the railroad replaced the stage coach, the electric lamp the tallow candle.

Let us note at once that the claim that Fascism is basically a democratic movement is not entirely unfounded. Certain essential gains that democracy has wrested from the monarchical systems of old are not called into question by Fascism — notably secularism, equality, the suppression of privileges and of primogeniture, opportunity for the humble to reach the highest stations in life. This should enable us, incidentally, to measure the bad faith, or else the stupidity, of royalists (especially in France) in representing Fascism, and Italian Fascism in particular, as a triumph for their doctrines.

Suppose we linger on the point for a moment, if only to introduce into our stern meditations a slight touch of gaiety.

## III FASCISM AND MONARCHY

One of the favorite tenets of the *Action Française* is that the Fascist movement is basically royalist, that royalty made Fascism possible, that it is royalty which sustains Fascism and which, since it will outlast the regime, will provide for the continuance of Fascism. Unless we have misunderstood M. Maurras, Mussolini is the modern Richelieu of a modern Louis XIII. This is a laughable notion.

In the first place, Italian Fascism was founded by republicans — Mussolini has always been a republican. Before he came to power his platforms and his speeches called bluntly for the overthrow of the monarchy. In the second place, it is inexact to say that, at the critical moment in October 1922, it was the King who called the Duce to power and by that act created Fascism. The

truth is that the Duce's bands had marched on Rome and had entered the city before the King made up his mind and called upon him to form a ministry. Some will say that that was a royal gesture, that by making it the King legalized Fascism, gave it a status as it were. Even admitting that this were so, it remains true that the King did no more than any democratic president does when from a sense of duty to his country he names a premier whom he personally dislikes but whom events have thrust upon him — Poincaré, for example, entrusting the premiership to Clemenceau in 1917. As a matter of fact, the truth was far different. As is well known today, the King of Italy, far from calling on Fascism, had signed the decree that would have established a state of siege and outlawed Fascism; but fearful, undecided, he signed it too late. Not royal will but royal weakness gave Fascism its hold.

So much for the past. For the future, one might imagine that if Mussolini were to die the King might regain his prerogatives. Fascism has provided otherwise. When Mussolini goes, his successor will be appointed not by the King but by the leaders of Fascism sitting in the Grand Council to which the King does not belong and over whose meetings he does not even preside. It is not clear how the King could offer the slightest opposition to the Council's choice. He will merely be called upon once again to accept. Familiar to everyone is the cartoon that depicted the King of Italy fumbling for a pocket-handkerchief that he had lost and murmuring sadly: "Too bad! The only thing I could stick my nose into!" That accurately describes the plight of the King of Italy under a régime which M. Maurras views as the creature of the royal will!

But let us return to serious matters.

#### IV. THE MAIN FASCIST CRITICISMS OF DEMOCRACY

I have said that there are features of democracy which Fascism accepts. What, then, are the features against which it makes war? They fall into three classes — political, intellectual, moral.

Politically, one of the basic traits of democracy is that, in so far as the requirements of public peace allow, it respects the individual's freedom, leaving him a truly vast domain within which the State refrains from any interference: the education of his children, his religious beliefs, indeed his political attitudes so long as these do not disturb the public peace. Democracy even

allows a man, once he has attended to his civic duties of paying taxes and performing military service, to disinterest himself from public affairs completely. Democracy admits that there are a political activities — art, science, philosophy, it is even inclined to regard them as of a higher order.

Fascism revolts against such a conception. For Fascism, the individual belongs body and soul to the State. The State has the right and the duty to interfere in all his activities, to control all his reactions and behavior, his private as well as his public life. Everything the individual does, moreover, must directly or indirectly be in the service of the State. Society is no longer made for the individual, the individual is made for society. Society is an army in which there is room for just one thing: obedience. The ideal society is the beehive, where the very desire for individual freedom has become extinct.

Another trait of democracy, still within the political sphere, is its insistence that, through representative assemblies and the right of interpellation, each individual shall be assured of at least indirect participation in the direction of the government. Against this system Fascism cries aloud. In Fascist concept, once the Head of the State has been approved by the vote of the people he owes them no further accounting. His constituents are to follow him blindly forever after. The dictatorship which democratic régimes recognize as an exceptional measure for times of war is the rule for Fascism. Fascism stands for a permanent dictatorship.

In the intellectual sphere, there exists an important democratic trait against which Fascism rebels. Democracy tends to seek its inspiration in abstract, eternal, unchanging principles: Truth, Justice, the Rights of Man. That is a Platonic profession of faith. Fascism makes no effort to conceal its contempt for such bourgeois ideology. It recognizes nothing but "experience," "adaptation to circumstances." Circumstances are no longer to find their guide in the ideal, the ideal is to be supplied by circumstances. Fascism will have nothing that is not "moving," "becoming," "dynamic." That, be it said in passing, is a fundamental repudiation of the Greco-Roman ideal, and a complete triumph of Germanic Hegelianism.

In the moral sphere, finally, Fascism makes a violent assault upon one of the essential attributes of democracy: its love of peace. It may as well be admitted that democracy is not heroic. By this I mean that it will fight when it has to — it has put up a

good fight on more than one occasion — but it does not like fighting. It prefers peace to war. Fascism has only contempt for such prudence. It wants to live "dangerously." In the same spirit it upbraids democracy for its ambition merely to keep what it has instead of aspiring to growth, expansion, conquest. It glibly proclaims, for example, through the histories of which it approves, that nothing happened in France between 1870 and 1914. And actually, in Fascist eyes, more social justice, better agencies of relief, skilful alliances abroad, amount to just nothing. In a general way, Fascism despises democracy for wanting to be "happy." What Fascism wants is to be "great." Its position is accurately defined in a proclamation of Nietzsche in the "Twilight of the Gods:" "Shame on the ignoble happiness that is the dream of grocery clerks, Christians, cows, women, Englishmen and all democrats!"

Some readers may be surprised at not finding on this list of Fascist criticisms of democracy mention of any attack along economic lines. This is because, in France at least, the Fascists seem in attacking the democratic régime to be exploiting a general discontent rather than basing themselves on any particular economic doctrine. I will return to this question later on.

#### V. FASCISM IN THE FRENCH NATION

What have the attacks on democracy achieved? What tendencies toward insurrection have they aroused in the French masses?

Having in mind the Fascist attack on the unheroic aspects of democracy, we cannot deny that the onslaught has enjoyed a distinct success with the younger generation, as witness the *Solidarité Française*, *Jeunesses Patriotes*, *Croix de Feu* and other young patriotic organizations. The essential prudence of democracy, its lack of reckless daring, the prominence which it accords to maturer minds, to the "graybeards," have never had much appeal to the youthful imagination, and less than ever since the war. The young people of today are far less cultivated than their elders. They admire only action and feel little respect for a settled life of thought. They thus constitute a ready-made audience for Fascist doctrine. It would be sheer folly to ignore that fact.

The attack on what I have styled the Platonic idealism of democracy is also being taken up in France in so-called intellectual circles. That is due in large part to the shocking lowering of

the standards of classical studies noticeable in France for the last twenty years. There is a whole section of so-called intellectual France that accepts the position that Barrès took during the Dreyfus affair, when he declared that people who talk of an immutable justice, unvarying truth, are eternal schoolboys, that any "self respecting man knows that the most one can do is to determine whether such and such a relationship is just at a given moment under specified conditions" — in other words, that "eternal" moral principles are just playthings for children, that only contingent moralities are possible. Fascism is benefiting by the triumph of the German doctrine of political pragmatism.\* There is no doubt that such doctrines have conquered one large group of French intellectuals.

When, finally, I turn to the purely political attitude of Fascism I have to confess that its resolve to suppress individual freedom, to feed the individual body and spirit to a Moloch State, is also arousing enthusiasm in a whole section of the rising generation, that is to say, among young mystics whose ardor for self-sacrifice is just one form of their contempt for the intellectual life and of their mad craving for action. Yet I hasten to add that, aside from these youthful mystics, the idea of surrendering individual freedom has little attraction for Frenchmen in the mass. They remain incurable individualists.

As for the second article of Fascist political faith, the suppression of the parliamentary system and the establishment of an uncontrolled power, the idea seems to appeal to a far greater number of Frenchmen than one might have supposed. It is as though, the honeymoon of popular government being over, the French had grown indifferent to the possession of sovereignty. Is there not something rather flattering to the people at large in the idea of a Head of the State directly elected by them? I might add that two historians of note, M. Charles Seignobos and M. André Siegfried, have voiced their impression that for some time past the French as a people have been cooling in their ardor for popular sovereignty.

Such is the reception given to Fascism by the French nation as a whole. If we reflect that in addition it is finding support in the Right opposition, which is forgetting its many points of divergence from Fascism (secularism, equality, the principle of the plebiscite) in order to center on the one point of coincidence

\* Commonly and very crudely confused with the philosophical pragmatism of William James.



(hostility to the parliamentary system), we are forced to agree that French democracy is faced with a fairly imposing array of enemies.

#### VI. REFORMS WHICH DEMOCRACY MUST MAKE TO SAVE ITSELF

Will French democracy survive this crisis as it survived the crisis of the Sixteenth of May, of Boulangism, of the Dreyfus affair? To survive, it will have to make certain reforms. It might as well be said at once that this will not prove easy.

First of all must come a reform of an economic order. It seems evident that a system under which food products that sell for a few cents in the country cost city consumers thirty times as much, merely because an army of middlemen must get their profits, is so exasperating that it must be changed. However, though it exasperates many people it satisfies others, particularly, of course, the army of middlemen themselves, often very powerful persons whose support the public authorities rightly or wrongly believe indispensable. For my part, I must add that though I regard a reform of this system as highly desirable I do not regard it as the most essential of the reforms necessary for the rescue of democracy, since the evil involved is based, as all informed persons are aware, on something quite other than democracy. The French public seems to have grasped the fact that the power that accrues to the middleman, and in general the bad economic system which they, like other peoples, have to put up with, is a result less of democracy than of capitalism as it is at present practised. It is aware that this situation will not be remedied by replacing democracy with Fascism but by effecting a fundamental reorganization of the whole economic system. This is a much more serious matter; and as the French are a conservative nation they are horrified at the risks involved. Nevertheless, some semblance at least of a modification of the existing economic evils seems to be absolutely required if democracy is not to become the target of the people's rage, however innocent it might be in literal fact.

More closely bound up with the preservation of democracy is a reform of the political system, a strengthening of the executive power (as President Doumergue actually proposed), or at least a lessening of the intrusion of the legislative into the realm of the executive, the abolition of meddling by the deputies with the bureaus of public administration. It is clear that in this instance

the mechanism of democracy has been seriously distorted. As M. Seignobos has shown in his "History of Contemporary Europe," the founders of the Third Republic deliberately gave the deputies the right to interfere in the administration because they felt that, even in a republic, governmental ministries must as a matter of principle be organized hierarchically and soon become as independent of public opinion as ever they were under the old monarchies. Their idea, therefore, was to bring the government bureaus under the surveillance of Parliament, thus protecting the people through its chosen representatives from those abuses of power which are always so tempting to bureaucracies. From that standpoint, the power given to the deputies was conceived of as a defense of the governed against their governors. But the way things have worked out, the prerogatives of the deputies have become mere tools of attack. The deputies do not defend their constituents from arbitrary acts by the ministries. They organize them for raids upon the ministries in the quest for jobs and favors. There must be a change in this system, for under it no semblance of efficient government can be maintained.

Here again reform will not be an easy matter. Those who are benefiting by the evil will fight to preserve it. The situation tempts one to think back to 1787 when the nobility of the *ancien régime* who were profiting by the evils of the system then prevailing rose in all their might against the reforms which the King was himself quite ready to make, and so placed the monarchy in a position where it simply could not govern (for that reason it is the fashion now in France to say that the Revolution began not in 1789, but in 1787). Also serious is the fact that the beneficiaries of the present system are not just the deputies, but the voters who elect them and who have learned to depend on them for influence with the administrative departments of the government. Reform here is not going to be easy.

I believe, finally, that our democracy must formulate, and in unmistakable terms, certain qualifications of its liberalism. It must tell the schoolteacher that he is not "free," outside the classroom, to work against the nation. It must tell employees of the government that they are not "free" to go on strike whenever they please and thus to halt all the activities of the State. It must tell the press that it is not "free" to publish slanders against public officials and to incite its readers to assassinate them — as certain papers of the Right have been known to do. Any such reform

will encounter stiff resistance. From its very inception, democracy, unlike other forms of government, has made the mistake of posing as a sort of heavenly entity that can afford to give full liberty of action to its enemies, with the result that whenever democracy makes the slightest gesture of self-defense, all those working for its downfall raise a hue and cry — with many democrats joining in! Clearly, democracy at present believes in proceeding with extreme caution in curtailing the liberties of its employees, even when these liberties appear quite incompatible with the maintenance of a strong and efficient State. It is just as clear that this tolerance must cease if democracy is not to be disavowed by those who think that it should be a system of government and not just a philosophical attitude.

#### VII. BUT REFORMS WILL NOT DISARM THE ENEMY

Democracy, to my mind, will be in a serious situation if it fails to make these reforms, and others of a more technical character.

Yet it is only fair to say that there are no reforms conceivable which would win over its enemies in France. There is one thing that people abroad, and especially in England and the United States, have always found hard to grasp: the fact that in France the democratic system, however wisely, however fruitfully it might be administered, would never be accepted by the French nation as a whole the way it was accepted in Switzerland, Great Britain or the United States. A taint of Cæsarism affects one whole section of the French people — a certain organic hostility to democracy which will yield to no proofs however convincing. Spinoza says somewhere that we do not hate a thing because we deem it evil, but that we deem it evil because we hate it. That is the position of many Frenchmen toward democracy. In view of the existence of such Frenchmen, France may be said to live in a state of perpetual civil war. This is for many foreigners one of the charms of French life. But it is the sort of charm which one prefers to enjoy in someone else's country.

#### VIII. DEMOCRACY MAY SURVIVE EVEN WITHOUT REFORM

Now I am going to surprise, perhaps scandalize, my readers. A really disinterested observer viewing the French situation seems to me entitled to ask whether, if our democracy fails to carry out these reforms, or perhaps only plays at doing so, it is inevitable that democracy should disappear from the scene. Even hating

and despising it, would not the French continue to cling to it? I do not discount that possibility, unæsthetic as it may seem to be, for the following reasons

1 The opposition parties lack real determination and decision. It is no longer a secret that on the morning of February 7 the French Government was completely disorganized, and that the rioters of the previous day could have seized power had they chosen to do so. They did not even make the attempt. Very apt in this instance is the quotation "You are clever enough to win, O Hannibal, but not clever enough to use your victories." I have been struck since that time by the number of uprisings noisily advertised and (those of July 8 and October 12, for instance) then postponed "in order to live up to the party truce." I see everywhere bill boards and lamp posts covered with posters full of bloodcurdling threats, but I cannot feel that posters will overthrow a government. Somehow I have the impression that the opposition parties are afraid of a victory.

2 The opposition have no men. When Mussolini and Hitler came to power they had been recognized as potential dictators by huge numbers of citizens for months and years. Dictators cannot be produced to order in a few weeks' time.

3 The French are not anxious just now to embark on a great adventure. They, who have taught other peoples to make revolutions, have grown chary of such diversions themselves. Nor are the Fascist examples very encouraging. If the dictatorships across the Rhine and across the Alps had solved the unemployment question, restored international trade, abolished poverty, relieved the plain man's worry as to where his next meal is coming from, the plight of French democracy might be desperate indeed. But nothing of the sort has happened. When one suggests Fascism to the French, many of them think "Suppose we were to swap a one eyed horse for a blind one?" There are many homes in which a man sticks to a wife he does not greatly love because he wonders whether he would not be worse off without her, and so they live on to the end of their days, grumbling and quarrelling, but still together. So, perhaps, France and democracy.

# THE PERSIAN REGENESIS

## KEY TO POLITICS IN THE MIDDLE EAST

*By Bruce Hopper*

**I**S A bloc of Middle East states now in process of being forged out of hitherto incompatible elements? Such a regional unit would correspond roughly to the mythical state which Captain Mahan in 1900 predicted might arise in lands astride the communications from Europe to the farther Orient. The possibility seemed remote so long as Islam was the only cement uniting the peoples involved. But in the last decade the replacement of Islam by the spirit of regional brotherhood, based on new and vigorous nationalisms, gives historical conjectures a fresh undertone of probability. The speed with which Afghanistan recently joined Turkey and Soviet Russia in following Persia into the League of Nations is but one indication of the intense desire to put into practice the coöperation called for in the closely-knit treaty system of the region. The League itself seems to be drifting toward an international balance of power, based on regional state-groups. If that is so, it is not unlikely that such a bloc of Middle East states would use Geneva as a first line of defense against a resumption of the old processes of Western encroachment.

Of the three states involved, Persia had sunk the lowest in comparison with its former power and prestige, and has made the most unexpected comeback. And though it is less modernized than Turkey, it is the strategic center and holds the key to the regional politics. Like the fabled Phoenix of her deserts, Persia has known death but never actual extinction in three thousand years of history. After each epoch of disaster she has risen from her own ashes. What is most striking in her rebirth in the last decade is not the new formula by which it has been achieved but the suddenness with which it has occurred, the rapidity with which the process of slow atrophy has been reversed.

A century ago Persia enjoyed a sort of self-sufficiency, producing her own food, satisfied with her artistic handicraft wares. Her folly in attempting to regain Georgia from Russia resulted in the Treaty of Turkomanchai, 1828, which fixed not only the capitulations but also set a 5 percent ad valorem duty as the maximum which she might levy on imports and exports. In virtue of the

with officers trained in Italy, and the nucleus of an air force. The defense forces are under the direct supervision of the Shah, free from parliamentary control. The army is extremely popular as a career because of the educational facilities it offers, and because of the prestige and political influence to be acquired through service with the "right arm of the Shah."

Next in order were the judiciary reforms. For 1300 years Persia had the Moslem system of religious and civil laws known as the *Shari'at*, of which the law books were in Arabic. Early in 1927 the new Ministry of Justice dissolved all the old tribunals and began a work leading to the promulgation, in Persian, of new law codes. The Civil Code presumes to give protection to private ownership and contracts, it effects a reconciliation between the Koran and the Code Napoleon without consideration for Marxian concepts.<sup>1</sup> The Penal Code guarantees individual liberties, greatly reducing the influence of Islam on criminal procedure. The Commercial Code is designed to encourage economic development, it establishes compulsory, uniform bookkeeping, and grants juridical personality to companies, etc. These legal innovations prepared the way for the abolition of the capitulations.

In administrative and educational reforms Persia looks to France for guidance. The French centralized control is more suitable than any other to local conditions, and French culture has always appealed to Persians. Great numbers of young Persians, educated at either public or private expense, return every year from France to take part in the work of extending the school system, the number of schools has more than doubled since 1922. Especial emphasis is laid on vocational training, and the linking of military service with the duties of citizenship. As in Soviet Russia, there are numerous night classes designed not only to diminish illiteracy but also to give training for promotion in the government offices. Meanwhile, those pioneers of higher education in Persia, the Stuart Memorial College at Isfahan and the American Mission College at Teheran, continue to turn out Persians trained for the service of their country.

### III STEPS IN ECONOMIC DEVELOPMENT

The long pull economic problem is to restore and modernize the economic life so violently unbalanced by the inroads of Western goods. Industry is still primitive. The largest enterprise is a

<sup>1</sup> The Shah himself has become the owner of much of the property of dispossessed "rebels."

textile plant in Isfahan which employs 500 persons. The production of rugs, 95 percent of which are exported, has been badly hit by the world depression and by the rise in tariffs, chiefly in the United States, where one-half of Persia's exported rugs formerly found a market. Agriculture is the occupation of 80 percent of the population, including the tribes. According to Sir Arnold Wilson, there is no lack of land; in fact, all over southern Persia, vast expanses of terraced hillsides, now abandoned, point to the earlier existence of a highly skilled population practicing methods of cultivation now unknown. Many areas once dotted with villages are now peopled only by nomadic tribes. About 90 percent of the peasants are tenant farmers, paying two-thirds of the crop to the large landowners. In fact, agrarian relationships have not advanced much beyond feudalism.

Forced to produce easily transportable materials, Persia began about forty years ago to develop poppy culture. By 1926, opium was bringing in 7.5 percent of the public revenue and accounted for 16 percent of exports. In the effort to control opium at the sources, the League of Nations in 1927 sent to Persia a Commission of Inquiry, headed by Frederic A. Delano of Washington, for study on the spot. The Commission reported that for Persia the poppy is an ideal crop, as it is sown in autumn and therefore irrigated when water is plentiful, that it has four times the money yield per acre of wheat, that opium thus can bear the high transport charges, and that as it is almost all exported it carries a disproportionately large load in paying for imports. In recommending that the Persian Government concentrate on building roads, improving agricultural methods, conserving water, reviving dying industries, and resisting the economic pressure of countries already highly industrialized, the Commission suggested that Persia be given three years to make adjustments and find substitutes for the poppy crop, after which it should start reducing the poppy acreage 10 percent per annum. The Persian Government established an Opium Monopoly, making cultivation of the poppy subject to license and special taxation, prohibited the planting of new land, and laid down a program entailing a complete cessation of poppy culture in certain districts. But though land diverted from poppy to other cultures is exempt from taxation for five years, the business of finding substitutes proceeds slowly and cannot gain headway until tariffs elsewhere are lowered on Persian products. Persian exports of

opium continue to decrease, however, and the Assembly of the League expressed its high appreciation of the good will shown by the Persian Government in conforming to its recommendations.

On the financial side the picture is brighter. The financial reorganization begun in 1922 by Dr. Millspaugh, the American adviser,<sup>1</sup> has been carried through with a determination to meet all expenditures out of ordinary revenues. The 1934 budget shows that 20.4 percent of the revenues come from customs duties, 22.4 percent from the monopolies (sugar, tea, matches, tobacco, opium, cotton, etc.), and 17.6 percent from the concessions. Of the expenditures, 31.4 percent go to national defense and 57.2 percent to the national administration. To balance the budget with ordinary revenues, and at the same time meet the heavy expenses involved in the government's expanding activities, is an achievement of note. Further, after sixty years on a silver standard of currency the Persian Government in 1930 went over to the gold standard with a new unit, the gold rial, equal at par to the pound sterling. To protect its currency the government has kept the royalties from the Anglo-Persian Oil Co. in London.

The most pressing need is to provide modern transport facilities. The normal mode of travel and of moving goods today is by automobile, although camel and donkey caravans still meander alongside new metalled roads. Since 1925 the government has been spending between two and three million dollars a year on highways, the sums in question being derived from road taxes. It is not many years since Persia was obliged to protest to the International Postal Union that the cost of transporting incoming parcels far exceeded the amount the government collected on stamps for the outgoing mail. Investigation revealed that the discrepancy was caused by the large supplies of Bibles mailed to Persia by American and British societies, to be carried by camel back across the deserts. The highways in Persia still recall the lively scenes of earlier periods in Europe, with the difference that the frequenters of the roadside tea stalls are mostly truck drivers, hauling such things as steel girders 6,500 feet up the mountain ravines to Teheran. The many attempts since 1865 to build railways have generally been defeated by the rivalry of the various foreign groups. The Russians did build a line from their frontier to Tabriz during the World War, and the India system was extended

<sup>1</sup> Cf. "The Financial Independence of Persia," by Edgar Turlington, *FOREIGN AFFAIRS* July 1928.



52 miles into Persia. The 1500 kilometer Caspian-Persian Gulf Railroad, now under construction, is the most talked of project in Persia. It is being financed entirely out of Persia's own means, "untainted" by foreign loans or control. The Persian dream is to have a railroad with both termini on Persian soil. That dream is being fulfilled, but only with the sacrifice of the natural terminus at the port of Pahlevi (formerly Enzeli) on the Caspian, as too much under Soviet influence, and of Mohammerah on the Shatt-al-Arab, in the south, the frontier of Iraq. Instead, the termini are Bandar Gaz, on the Caspian, reached through terrific gorges, and Bandar Shapur (formerly Khor Musa), on the Persian Gulf. It is a political and strategic railway, which probably will not pay for itself for many years, but it will greatly aid the policing of the country, and at the same time assure an all-Persian management.

The most significant, historically, of the Shah's new measures was the abolition of the capitulations. After 1921 the foreign Powers began to group themselves into two camps: those whose citizens still enjoyed extraterritoriality, and those whose citizens came under Persian jurisdiction, such as Soviet Russia, Turkey, Afghanistan, and the new states of Europe. The second group chafed under the discrimination. According to a Persian authority, Dr. Matine-Daftary, the Russians in particular sought means to re-enter the capitulatory régime for the sake of facilitating the spread of propaganda. Great Britain, on the other hand, preferring to submit to Persian tribunals rather than accept the alternative of Communist agitation approaching India, placed no obstacles in Persia's way. Again the constellation of external factors favored the Teheran government. After a year of provisional arrangements, the capitulations came to an end on May 10, 1928, marking a diplomatic victory which was celebrated as a national holiday. A whole new series of treaties was then signed with other states, putting Persia on an equal footing with them. Most of the new treaties contain guarantees that foreign citizens shall be exempt from requisitions, expropriations, compulsory labor for the state, and compulsory subscription to loans. The abolition of the capitulations was accompanied by Persia's recovery of customs autonomy, and the negotiation of new commercial treaties. In other words, freedom of economic action was achieved.

The end-link in the chain was the establishment of the Foreign Trade Monopoly by the law of February 25, 1931. This monopoly

allows free exchange within Persia, but establishes quotas for imports. Its purpose is to force a balance between imports and exports by requiring all prospective importers to present a certificate proving prior export of Persian products of the equivalent value in foreign exchange, against which an import license may be issued. The cost of the export certificates raises the price of imported goods, which is borne by all the consumers, thus distributing the burden. It is maintained that the Foreign Trade Monopoly has prevented the flight of silver from the country to cover the adverse balance in trade. On the other hand, the system has several undesirable features. It involves heavier taxation and higher prices, and a marked restriction of the small traders for the benefit of the large merchants who are able to acquire import licenses. Business tends to concentrate in fewer hands. And smuggling is on the increase. The Persians, however, believe that the system gives essential protection during the world crisis.

#### IV STEPS IN THE SOCIAL TRANSFORMATION

The most remarkable change of all is in the spirit of the country. Islam had long since ceased to represent enough of a binding force to assure national unity. The awakening of the nationalistic spirit demanded a release from its dead hand. The Shah travelled far and wide, preaching love of country and patriotism. In sending the first large group of students to France in 1928, he said to them: "France is a country where patriotism is very highly honored, you shall learn to follow the example of the French and love your country as much as they love theirs." There is also a movement to standardize Persian dress, to have a national costume, to accentuate the Persian feeling. All Persian citizens wear what is called the "Pahlevi Hat," shaped somewhat like a French military *kepi*, with a visor, issued in black and beige. Western standards of public health are being urged. Women, though still wearing the veil, are to be seen at the many cafés and cinemas. On the other hand, the Shah decreed that Persians should not frequent foreigners, on the grounds that Persia's past misfortunes were due to such contacts. There is an atmosphere of suspicion in Teheran. One by one, and in groups, the foreign experts and advisers have been sloughed off, as elsewhere in the Middle East. The last to go were the Belgian customs officials (June 1934), leaving only a few French technical experts in education and a few Germans in agriculture. Here again appears the danger of

"nationalistic nerves," for in many cases qualified Persians cannot yet be found to fill the posts vacated by foreigners.

#### V. STEPS TO IMPROVE FOREIGN RELATIONS

By the foregoing measures Riza Khan reasserted a central authority and broke through the cordon of foreign control. Insurance against a return of the former conditions, however, must depend primarily upon Persia's ability to pit future Russian and British pressures against each other in such a way as to preserve her own integrity as a sovereign neutral zone — a Switzerland of Asia. The constellation of external factors continues at the moment to be favorable to that ambition.

This is especially true as regards the pressure felt closest home, the pressure of Russia. Originally the policy of the Soviets was to assault capitalism in the West by undermining imperialism in the East. While the Bolsheviks had, and have, a sincere sympathy for semi-colonial peoples, their extreme generosity in wiping the slate clean of all past obligations was very much to their own interest. Their policy in regard to nationalities (cultural autonomy within the limits of centralized economic and political control) had as a secondary objective the attraction into the Soviet federation of border peoples who are racially akin to those already in the Union, *e.g.* the Outer Mongolians, the Turks of Sinkiang, etc. The Soviets likewise promoted the formation of a Middle East bloc, and organized the treaties of friendship signed in Moscow in 1921 between Soviet Russia, Persia, Turkey, and Afghanistan. When these treaties were strengthened in 1925-1928 the initiative was taken by the Islamic states themselves, indicating their feeling of greater independence as Western aggression declined. Also, there was the fact that the Bolsheviks had managed to lose economically the prestige they had gained politically as champions of the semi-colonial peoples. For, though theoretically especially lenient in dealing with non-industrialized Eastern states, the Soviet Foreign Trade Monopoly has aroused constant protests from Oriental merchants. Even in 1934 Persian traders have kept up a stream of demands to the Teheran government either to cease dealing with Soviet Russia or to make the Persian monopoly as rigid as the Russian.

Still another factor was the defeat of Trotsky by Stalin, which meant victory for the program of "socialism in one country first" over that of "world revolution." Since 1927 the Bolsheviks have

marked time politically in the Eastern border states, where in any case the soil is not fertile for the Marxian doctrines. The Stalin policy of "peaceful coexistence and friendly collaboration with capitalist states" has been the focus of Moscow's attention, and was climaxed in September 1934 by the entry of Soviet Russia into the League of Nations. But for all that, the fundamental interest of the Soviets in the East broadens and deepens. Under the second Five Year Plan more than half of the total investments for new construction will be made in regions east of the Urals, to increase the already sizeable industrial plant which eventually must find its market in the rest of Asia. The various Soviet Institutes for Eastern Studies are turning out experts, skilled in languages and crafts, and prepared for work in the border states. But, for the time being, the Bolshevik preoccupation with mending political fences to the West so as to be able to concentrate on contingencies in the Far East, insures Moscow's support for Persian independence.

Britain's policy in Persia has likewise evolved. The "Egyptization" treaty of 1919 was the last of its kind. Curzon's diplomatic battles with the Bolsheviks in 1923, and the breaking off of relations in 1927, centered on the Eastern policies of the two countries. That is now history. What is new is the friendly British attitude toward Persia evidenced in the happy ending of the Anglo-Persian Oil Company's dispute. The new concession, signed in April 1933, extends the lease for 60 years and grants Persia a minimum royalty of £750,000 a year, plus other contributions from the company such as £10,000 yearly to educate Persian nationals for the oil industry. This makes a handsome income. Further, the skillful conciliatory measures introduced by Sir John Cadman, Chairman of the Board, and T. L. Jacks, Resident Director in Teheran, give promise that the last of Britain's great empire companies will continue its beneficent rôle in modern Persian life. The company is now completing a new refinery at Kermanshah, which will be fed by a pressure pipe line from the Naftkhanal oil field on the Iraq-Persian frontier. Hitherto, oil from Baku has had a virtual monopoly in north Persia because of the cost of overland transport from the refinery at Abadan in the south. The Kermanshah refinery will be able to supply Persian oil to northern Persia at competitive prices. Aside from the dispute as to sovereignty over the Bahrein Islands, British relations with Persia are serene. So, Great Britain also supports Persian

independence and closer coöperation amongst the Middle East states.

One of Persia's most notable triumphs has been to convert her traditional enemy, Turkey, into a staunch friend. After the World War the relations of the two countries were so strained over frontier disputes that they did not sign a treaty of friendship until 1926, following it in 1928 with a protocol for close economic coöperation. With the frontier delimited satisfactorily in 1929, there began an exchange of courtesy visits by high officials of both countries. The last and most spectacular of these was the visit of the Shah of Persia to Ankara and Istanbul in June 1934. The political significance of the visit has not yet been revealed, but it seemed to create a *blutbrudergesellschaft* between the two dictators, united in a common task of keeping foreigners at bay. There was some talk of a railroad to connect Teheran with the Turkish railway system and the Black Sea. A more likely result will be renewed use of the old Trebizond-Tabriz caravan route, recently opened to motor traffic, to give Persia a shorter trade passage to the West. The Shah travelled by this road (foreigners, including the author, were barred by the Turkish Military Staff). Having received the desired recognition for Persia's achievements, the Shah returned to Teheran on July 7 and began immediately to prepare for a return visit from Mustapha Kemal. The Persian capital is now bustling with civic improvement projects — a municipal electric light plant, a university, hotels, hospitals, more schools, etc. — to gladden the eyes of the Ghazi when he views the work of the Shah, like himself the restorer of pride to a whole race. Finally, as a gesture of good will, Persia in September withdrew, in favor of Turkey, her candidacy for the non-permanent seat vacated by China in the Council of the League of Nations.

Afghanistan presents Persia with no problem. The Afghans, formerly included within the Persian Empire, still use the Persian written language and continue in the Persian orbit. The indefiniteness of the frontier caused some friction until 1921. Finally, both sides accepted Turkish arbitration, and a Frontier Delimitation Commission proceeded to the spot in June 1934. The relations of the two states are now extremely close. Afghanistan is, in a sense, a back-mountain lot of Persia. Kabul, but a week from Teheran by automobile, is strongly influenced by the Persian reforms, though changes are taking place there at a less rapid tempo than in the days of Ammanullah.

Lastly, and most troublesome, are Persia's relations with Iraq. The thorniest problem is the boundary. This (delimited at last in 1913 in virtue of the Treaty of Erzerum of 1847) follows not the channel of the Shatt al Arab, as would be customary in international law, but the Persian shore. The bulk of the shipping proceeding up the Shatt is bound for Persian river ports, and thus must pass through foreign waters in which the Persian authorities cannot station customs or police patrols. So long as the non-legalistic Turks controlled the Shatt no serious questions arose. But Iraq, the successor state of the region, is as nationalistic as Persia. The question became acute when Riza Khan in 1924 asserted the authority of the central government over the previously autonomous Sheik of Mohammerah. Persia claims that the Majlis never ratified the 1913 Protocol, it evidently was not ratified by Turkey either. In the hope of settling the Shatt question Persia withheld recognition of Iraq until 1929. But the question remains unsolved. In addition, pin prick disputes constantly arise, such as questions regarding the nationality of persons of Persian origin now on Iraqi soil, the jurisdiction of consuls, matters involving extradition, frontier police, etc. Last spring the question of water rights came to the fore. Iraq is dependent on Persian sources for a certain amount of water. The Persians diverted the Gangir River, and filled in some of the wells which served as conduits, thus causing considerable suffering amongst the Iraqi villages of the Mandali district. The feeling is bitter on both sides, and so far the British have been unable to effect a compromise. Meanwhile, the Shah has made Bandar Shapur the southern terminus of his railway rather than the more favorably located port of Mohammerah. Iraq, in fact, is the sole exception to the picture we have drawn of the general evolution of Persia's foreign relations from a state of semi hostility to friendship with all neighbors.

Maybe, however, the projected return visit of Mustapha Kemal to the Shah may provide a propitious moment for Turkish mediation between Persia and Iraq, the only remaining step necessary to complete the circle of Middle East solidarity.

#### VI PERSIA'S SIGNIFICANCE IN WORLD POLITICS

Supposing that the upward curve which has marked the last decade of Persian history continues, and that the favorable constellation of external factors does not alter, then what? In that

case, the question posed in the first sentence of this article must be answered in the affirmative. For the probability would be that the three Middle East states, having adopted the same pattern of "great-man reform," would tighten their already strong political, economic and cultural ties and proceed to use the platform provided at Geneva to exert influence as an "Asiatic League." In the event of another European war, it is likely that the Middle East bloc would be so solid as to prevent any violation of its regional neutrality and would be able to exercise freedom of choice as to whether or not to keep out of the conflict. On the other hand, should the West be able to avert war and to recover from the economic crisis, there might well ensue, as part of that recovery, another era marked by competitive imperialism with a consequent renewal of the old pressures on Persia.

Consideration of this question invites a glance at geography. The debatable ground of Asia is the belt between the 30th and 40th parallels and including China, Afghanistan, Persia, Turkey, Iraq, Syria, and Palestine. Captain Mahan's dictum that control of this belt is bound to be a strategic issue between the sea power of Britain and the land power of Russia must be modified somewhat in the light of the rise of Japan, and the advance of military aviation. His other dictum, however, still holds: that of this debatable belt, China, primarily because it is a productive and market area, must cede first place in importance to the regions west of the massive mountain center, for it is there that the vital control of communications can be maintained.

No matter what the form of her government, Russia must regard Persia as of the utmost strategic importance, especially in case Japan should succeed in blocking the outlet to the Pacific. As the huge industrial plant of Western Siberia and Turkestan begins to produce a marketable surplus, it is not likely that the products of Asiatic industry will travel back to industrialized Europe. The Caspian is a Russian lake, even though the Bolsheviks returned the port of Pahlevi to Persia. With the expansion of the Central Asian railway net, Russia must attempt to use Persia as a "land Suez" leading to the warm salt waters of the south. Whether she will act with the coöperation of Persia or not depends on unpredictable issues.

Great Britain, also, can never cease to consider the strategic position of Persia. Control of Persia would permit the encirclement of Afghanistan and the protection of the air bases in Iraq,

besides offering a threat to the Russian oil fields at Baku and providing an observation post toward Russian Turkestan. The British are evidently now engaged in developing an alternative land route to replace the Suez Canal should the latter be destroyed in time of war. The recent transfer of most of the British naval base from Malta to Haifa, the frequent tours of inspection by British officials, the reinforcement of the garrison at Akaba, and the elaboration of railway projects — one down the shore of the Red Sea, the other to tie in with the Baghdad line leading to the Persian Gulf — all indicate new British plans for Western Asia, in which Palestine and Transjordan will serve as centers of defense. In connection with this development of her Middle East defenses, we may note Great Britain's apparent effort to withdraw from the European security system, and to shift attention to a system of world security in which there shall be as few British commitments in Europe as possible.

Whatever the result of these various tendencies, we may predict that because of her strategic position Persia will be required to exercise ceaseless vigilance in order to maintain her independence. The revitalization of Persia's social forces now in progress augurs well, indeed, that such vigilance will be valiantly maintained.



# ENGLAND AND AIR POWER

*By Air Commodore J. A. Chamier*

ENGLAND is the most conservative of nations. This island country will long remain attached to the ships that made her great and kept her safe: indeed, her need for them has not yet passed. To the Englishman sea power is a trusted and tried thing and his understanding of it has been nourished by the constant presentation of the sight of the sea to the eyes of almost the whole people.

It took a world war to bring to England the realization that things were changing. It was with a great shock that she began to see that the navy which she had built up, and in which she took such pride, might not suffice for her security. The invention of the submarine, whose powers and potentialities British thought had been slow to recognize, faced the country with starvation in spite of having a navy supreme upon the surface. Somewhat tardily, a knack of rising to the occasion and the coöperation of the fleet of the United States enabled England to overcome the threat. But the submarine had shaken in other ways the pedestal on which she stood. No longer could she attempt to impose her will upon an enemy by the bombardment or close blockade of his ports and no longer could her ships sail the narrow seas or lie at rest in harbor with any peace of mind. At all times the fleet was nervous and had to take immense precautions against the hidden foe.

But the war brought to Englishmen a still greater awakening when they realized with horror that their land was no longer inviolate. Accustomed for many generations to fight their battles on other people's soil, they awoke with surprise and anger to the sight of bombs falling from the air on their own homes. In this new element of the air progress had been far greater in other lands than in England; at the outbreak of war there was not even a suitable British aero-engine with which to power British planes. But, prepared or not, the country was in the war, and if it was surprised by the fact that mechanized war had started in the air, that form of fighting suited an engineering people well enough. Methodically, and in a short space of time, England built up the world's finest air force and discovered that her people were able pilots, with less élan than the French, but with more stability,

and with more imagination and dash than the average of her German enemies. When the Armistice came in November 1918 there were over 3,000 British aeroplanes in the first line, and, although the French may have exceeded this number by a few dozen, when the quality of the material and the personnel is taken into consideration it is a fair thing to say that the Royal Air Force was second to none.

Perhaps it is natural that the period just after a war should not be a time when great attention is paid to a country's defense forces. Minds turn naturally to reconstruction, and it is held that problems of defense may be left to future consideration. Thus it was that after the Armistice the British Government's main consideration was to demobilize the Royal Air Force, to disband the majority of trained personnel, and to sell off or destroy stocks of aeroplanes and engines. A modest program of 154 squadrons for the post war Air Force was eventually whittled down to 24, of which 19 were needed for work overseas.

The test of war had shown that the division of British aerial forces into the Royal Naval Air Service and Royal Flying Corps was wasteful from the point of view of technical supply, and an Air Board had been constituted which did much to prevent competition and overlapping. But the divided responsibility for the defense of the country between two fighting services had remained. With stalemate in almost every battle area, the minds of politicians had turned to the possibility of influencing the outcome by action behind the various fronts. It was possible that demonstrations of air force might have a decisive effect, at least on peoples weary of war. However, the generals and admirals who controlled the British air forces then existent could not be expected to see far beyond their own immediate needs. From day to day the air army had been proving itself of greater and greater assistance to them, and they never had at their disposal enough aeroplanes for their new requirements.

So long as air power was only an ancillary to the older services this attitude was natural. But the question was whether it did not have a primary function and, if so, who would study that function? Only a separate service and a separate staff could be expected to give attention to this new problem. And so in spite of the difficulty of changing horses in mid-stream it was wisely decided by the Cabinet that the two separate air armies should disappear and a single Royal Air Force fleet be created. The

change took effect in April 1918. It was never welcomed by the naval and army chiefs; and when time came for reflection after the war they decided that it had not been proved that air power had a separate rôle further than that of a handmaid to the older established fighting forces. Indeed in this they were right: whether under naval, military or air force command the limitations of aerial bombing had not been correctly assessed; there had been too much optimism, too much faith in the amount of damage which aerial bombing could do, too much dispersal of effort. The most ardent advocate of air power could not claim that air intervention had changed in any appreciable manner the course of the struggle; he could only say that if the war had gone on longer it might have been demonstrated that air pressure could have finished it. The British aeroplanes that stood by to bomb Berlin late in the war were never sent and had not been able to show their powers.

Holding, as they did, honest views of this kind, the chiefs of the older services could not be expected to acquiesce in the removal from their own control of a weapon which they felt was a necessity to their operations and whose claimed powers of independent action had been greatly exaggerated. Were the army and navy not to be able to fire long-range guns without the help of another service? Were they to rely on another service for essential reconnaissance? Were they to depend on another service to protect their navies, armies and establishments from attack from the air? And so the "Battle of a Hundred Days" which finished the Great War was succeeded by the "Battle of Whitehall" in which the older services made a powerful and concerted attack to dismember the Cinderella of the party.

Strangely enough, it was these attacks, continued over a period of perhaps ten years, which really made it necessary for succeeding governments to examine the possibilities of air power. Debate is a great stimulus to thought; slowly there began to grow a recognition of the facts of the situation. At present it is confined to a realization of how far this new invention, air power, has compromised the safety of the British islands. Beyond this imagination has hardly ventured. It is not in the British character to jump at conclusions, perhaps even to face events squarely until compelled to do so; but it proved sufficient to recognize that the capital and the country were in danger, and that steps must be taken to meet that danger. And so in 1923 the Government de-

cided that the three squadrons allotted for purposes of home defense must be raised to 52, and a good start was made on that expansion

It is necessary to add that, eleven years later, ten of the additional squadrons which so long ago appeared to be necessary are still lacking True, the Air Budget for 1934-1935 made provision for four of these squadrons But for a long time the country had existed on the edge of risk It was not the opposition of the other services nor was it political considerations which had dictated the slowing up of the modest 1923 program, rather it was the combination of the disarmament discussions and the great trade depression which dictated economy

England meanwhile discovered new uses for her infant air force It proved itself a humane and effective weapon for the maintenance of order in the wild lands of the Empire frontiers In Somali land in 1920 nine aeroplanes in three weeks finished a war which had lasted for twenty years, had cost millions of pounds and thousands of lives and had involved the country in considerable loss of prestige That first success was strikingly repeated in Iraq On the wild Indian frontier turbulent tribesmen can be kept in order by the aeroplane, which can overleap natural obstacles and put pressure on the offending tribe without stirring up complications on the way In Aden and Palestine the R A F is in military control, it has also done much to keep order in the Sudan and in the Persian Gulf All these experiences have been on a small scale but they have helped to give publicity to the R A F and to strengthen its claim to the status of a primary force

But the possible value of air forces in dealing with overseas problems to the British Empire is not confined to the wild frontier lands Outposts such as Hong Kong, valuable as coaling stations or as bases for commercial expansion, were reasonably secure while the neighboring countries were ill armed and ill-organized With the spread of industrial civilization and the growth of the power which it gives, such isolated outposts became almost undefendable because of their liability to capture by a *coup de main* — as the capture of Port Arthur by the Japanese bears witness The problem of the defense of such distant possessions has always been one of time relief must come from the general strength of the Empire, and the fortress must hold out until such relief arrives Now an enemy nation is unlikely to risk valuable ships on bombarding a port which can retaliate with shore based aero

planes; it is still less likely to attempt a landing outside the range of the fortress guns but within the radius of aeroplane action. And by compelling the attacker to deploy at a great distance valuable time is gained.

Isolated but sparsely-populated Dominions, such as Australia, have another problem. Invasion is unlikely unless and until the defeat of the main British fleet gives the enemy secure overseas lines of communication; the expected attack is confined to damage by raiding ships, surface or submarine. These attacks may take place at five or six widely separated points on a coastline of several thousand miles, but they are unlikely to be tried if aeroplanes can pursue the raider a day's steaming from the shore.

In the defense of Britain proper the airplane must play a vital rôle. There are few rich areas in the world where so large a population is concentrated into so small a space; and this congested island is only separated from the Continent by six minutes of flight.

It was not until 1934 that the educational work of the Air League and the press brought about a full realization of the position. England saw then that the world would have none of its disarmament plans; found itself sixth among the air powers of the world; and discovered that its nearest neighbor — a good friend, indeed, at the time — could outnumber the Royal Air Force by two to one. Here are the comparative strengths of the leading air Powers in first-line aircraft as given officially in the British House of Commons at the end of 1933: United States, 1,800; France, 1,650; Russia, 1,500; Italy, 1,100; Japan, 1,000; Great Britain, 850. No boast of technical excellence, and no realization of the unrivalled training and morale of her personnel, could hide from England the fact that she — the heart of the British Empire — existed "on sufferance."

It may be difficult for American readers to realize the feeling of insecurity engendered by a realization of these facts — an insecurity not new to continental nations, but one to which the people of the British Isles had long been strangers. Let Americans picture a position in which a hostile air force of superior strength might cross their borders in less than ten minutes, and where in an hour many of their chief cities might be severely bombed.

Once awakened, the Englishman understood his situation very well. Unconcerned with the arguments of theorists who debated whether air action would or would not be decisive; unaccustomed

to trust his safety to some easily broken pact, uncertain that he could rely on international forces to come to his aid, he saw merely that superior foreign air power might make his life unsafe. It might be, as some tried to tell him, that there was no possibility of defense in the air, with the evidence of the defeat of the *Zeppelin* and the *Gotha* in the war, he doubted it. It became quite definitely fixed in his mind that he would have an air force inferior to none which was within striking distance of his shores. Nothing less than parity — a one power standard — in the air would content him. The Government could take no other view, early in 1934 that was accepted as the national policy, and by midsummer concrete steps had been taken to increase the strength of the R A F by 41 more squadrons. The target is a good one at which to aim, though it must be admitted that it rests on no scientific foundation. Military forces cannot really be the subject of such hit-or-miss calculations: they must be adjusted to a given definite assumption and to the needs of the case. An Empire with many overseas possessions drawing her air power away from the heart may well find herself inferior to an enemy whose interests are concentrated nearer home and possessing numerical equality. It is necessary, therefore, in the present breathing space (which everyone hopes may be prolonged), and while the immediate increase is being built up, to review the position seriously: a definite policy is required.

Of one hundred million pounds spent on British defense forces the navy still takes over sixty millions, the army twenty five, and the air force some fifteen. Is that a proper division? What is the comparative value of the different services?

The defense problems facing the country are many: chief among them is the question of food supply in war. These islands must be provisioned by sea, and the supply must be protected on the high seas by the only means possible, a superior navy. But it is not on the high seas that the danger is greatest: over 90 percent of all the sinkings of Allied merchant ships in the late war took place within 100 miles of the coast where traffic is densest. The shadow of the aeroplane's wings lies over these narrow waters. Wars may call the British army over the world, and it is the navy's responsibility to escort it to the scene of action. But no navy can guarantee the army safe passage through waters commanded by enemy shore-based aeroplanes: much of the burden must be shouldered by the air force. As science leads to fresh advances in the air, it is

certain that some of the responsibility for defense of transportation on the sea must pass to air power. To some degree, therefore, the duties of the senior service will be transferred to the newest, and compensatory adjustments of expenditure must take place.

On the military side the situation is similar but less acute. Britain maintains an army largely as a garrison for her overseas possessions. Its task grows harder as some of its potential foes improve in education and armament. Reduction of the small British land forces does not appear very likely; it can only be said that the increased aid which the air forces can give will obviate increases in military strength which would otherwise be forced.

Attention may here be drawn to the question of a unified air force as compared with separate naval and military air services. Our problems are plainly not the problems of all countries, but examination of the remarks already made will make it clear that from England's point of view a unified air force is a necessity. Indeed, it is possible to go further and to foresee a time when a unified air force will expand to something even larger. Already there is a growing feeling that a start must be made with an Imperial Air Force. Today the Dominions of their free wish work in close consultation with the British Air Ministry, and adopt types of aeroplanes and engines which in case of war will be uniform with those of the Royal Air Force.

But if England's treatment of military air power has lacked vision, what can be said of her attitude to civil aviation? In 1921, at the time of the Washington Conference, it was predicted by all the experts that civil aeroplanes and military machines would tend to diverge rapidly in type. Hence, civil aeroplanes would become unsuitable for war, except for certain ancillary services such as training, supply, and troop carrying. It is more than doubtful whether that prophecy has been fulfilled. Great Britain has perhaps gone the furthest in developing airway material which is divergent from military types: in the effort to make aviation "fly by itself" attention has been concentrated on the large, economical, and somewhat slow biplane of great carrying power but ill-adapted from its construction to self-defense and, by reason of its lack of speed, incapable of evading attack. It is unnecessary to accuse others who have developed types of outstanding speed and climb — and in this the United States has undoubtedly led the way — of having had at the back of their mind the value of such types as reserves for the fighting forces in

war. They may be credited merely with a most laudable anxiety to exploit the main commercial quality of the aeroplane — outstanding speed. Germany must be understood as an exception to this general statement. Deprived of military types, she has intentionally moulded her civil aeroplanes to have potential war uses. Recent figures suggest that she could put into the air on the outbreak of a war at least 500 effective military machines converted from civil types. The fact remains, however, that whereas in Great Britain the gap between military and civil types has widened, in almost every country in the world it has closed up. Commercial demand for speed and performance may well cause us to retrace our steps, and in so doing create types which may be readily converted to war purposes, if war should unfortunately come.

But it is not from this point of view alone that vision has been lacking in the development of civil aviation. The British Empire's one weakness is that of the distance between its component parts, for with distance different points of view arise, touch and harmony is lost, and the ties which bind the daughters to the mother country are difficult to maintain. The telegraph and telephone are inadequate to remedy the situation: business requires the exchange of specifications and contracts, and the personal touch is essential both to business and to administration. By modern aeroplanes flying the Great Circle route, Australia is but 54 hours flying from England — with all allowances, a weekly service is easily obtainable at the present day. Those who have eyes to see must admit that nothing can so help Empire "morale" as speedy and frequent air communication.

Apart from this question of unity of thought, a flourishing civil aviation industry is the foundation of military aviation. It has often been said that the Royal Navy is founded on the mercantile marine, by this is meant that the people are trained to know the sea, and that shipbuilding facilities exist which can be turned to use in war. The statement is even more true of aviation. In peace, the wastage of modern metal built aeroplanes is comparatively small: in war, the enemy action, the inexperience of hastily-trained pilots, and expansion, all combine to cause far greater losses. It has been estimated on good authority that a country wishing to enter a war with a year's reserve of planes would have to hold nearly six years' peace-time supply. But within that period aeroplanes become obsolete, and with years of peace to look for-



ward to, as we all may hope, many "reserve" aeroplanes would never fly. The only sensible and economical plan is to have small reserves, but large capacity for manufacture in case of war. The situation needs a small military aircraft industry, the best designs jigged and tooled, and a strong civil industry capable of turning to military manufacture when the need arises. Experience of manufacture is essential. In the late war all America's energy and genius for organization were unable to secure output of aeroplanes in less than a year and a half from firms unaccustomed to the work. The civil industry is the foundation of war strength in the air.

Finally, the British Government have so far failed to recognize the importance of strategic air routes. Though air communication can as yet hardly be called general, it has proved its value and is growing rapidly. In a few years air transportation for personnel and mails within the Empire will be commonplace. Yet, as things stand, at a time when rapid transportation became of incalculable value, these air routes would be closed. Empire air routes to the south and east cross several European countries, and in war time the passage of military machines over any neutral country will be forbidden as a breach of neutrality. This was shown in no uncertain way in the late war. An important factor in air power — the possibility of rapid reinforcement — is thus in a great measure denied the Empire. It is not even certain that considerations of neutrality and fear of espionage may not close the air above neutral countries to a combatant's civil aeroplanes: where the neutral country is close to a battle area such action is certain to be taken. A correct appreciation of the value of civil aviation would involve the laying out of Empire air routes across Europe in such a way as to pass over the territory of firm allies or over the sea. It is necessary to develop an "all-red" route at least as an alternative for use in war. With the increasing range of aeroplanes this is becoming more easy of accomplishment. In the past, capture, purchase, or exchange gave England coaling stations on its main sea routes. In the future, British foreign policy ought to be directed to the acquisition by alliance, purchase, or exchange of those refuelling bases which are so essential to the utilization of her air power, and to the maintenance of her civil air transportation in war.

It is a new thing for the British Empire to face up to the possibility of defeat in any war in which its heart is involved: since

Britain established her position on the seas she has never dreamed of such a thing. The shield of the navy has made it possible for her to intervene at will, or to refrain from intervention, to choose the time for entering the war, to organize, in comparative leisure, her man power or her armaments. It is hard for her to recognize that the position has radically changed, that war may be thrust on her overnight from the air, and that it may be crippling, or, indeed, decisive.

American citizens living in a country where civil aviation far transcends in importance military aviation, who have built up a vast network of air routes equipped with every service necessary for safe air travel by day and night and served by a multitude of magnificent airports, can hardly realize the backwardness of the British Empire in a sphere which may be vital to her very existence. Do they know that Great Britain has less than 50 air liners of any size and those slow of speed, and that only a few of the smallest of "feeder type" machines are flying in her Dominions? Is it conceivable to them that radio beacons and route lighting do not exist on all the length of the Empire airways? Can they imagine an England with a population of forty millions and only eighteen municipal airports? True, the United States is a big country and the British Isles are small and have unstable climatic conditions. But an Empire extending to a quarter of the earth's surface in every continent offers full opportunity for air development.

# THE FRENCH PRESS

*By Georges Boris*

THE French press is being subjected to some sharp criticism both at home and abroad. Abroad the most frequent allegation is that there is no such thing as an independent press in France, that all the French newspapers are tools of the munitions interests. These accusations, however, are merely amplified repercussions of things that are being said in many sections of the French press itself, a fact sufficient to show that neither of the charges can be taken entirely literally. Actually there is no comparison between the situation of newspapers in France and their situation under dictatorships which have deprived the press of every grain of independence. It may be assumed that the steel manufacturers control several French newspapers, and fairly important ones at that. But it would be a great mistake to conclude that they control the French press as a whole.

France has long been and still is a democracy. To educate a free public opinion and to keep it informed presents problems and involves requirements that fascist systems do not have to bother about. By a strange paradox, among the causes contributing to the state of things now being criticized must be reckoned the exceedingly lax laws regulating the French press. There can be no doubt that respect for liberty and independence has led to too great indulgence for license. This has created in France a situation which is very different from anything known in, for example, a democratic country like England. There are other differences as compared with England. Some of these depend on the peculiar economic situation of French newspapers; others depend on the general traits and habits of mind of the French as a people. To grasp the many problems facing the French newspaper owner, one has to understand the conditions under which he must endeavor to subsist.

French public interest has recently been attracted to these matters by incidents arising in the course of the parliamentary investigation of the Stavisky scandal. Certain ministries were shown to have made disbursements to certain newspapers out of their secret funds. A former premier, M. Daladier, was led to explain that but very few newspapers "were able to get along on their normal income from sales, subscriptions and commercial

advertising" That statement provoked widespread comment Then a few days later a similar confession was made before the same commission by a representative of a political party directly opposite to M Daladier's M Aymard, formerly editor in chief of a newspaper of the Right, testified that only a limited number of newspapers could get along on business receipts exclusively, and that the others "could not survive unless they were supported by friends in politics or by large business concerns which consider that the policies of those papers are helpful to their interests and to the public interest as they conceive it" These two statements are enough to suggest the difficulties facing French newspapers in their struggle for material existence, and hence, as a matter of course, for intellectual independence

In no country, as is well known, can a newspaper make profits or even cover its expenses simply from subscriptions and newsstand sales In France for the past hundred years the price of a newspaper has been far below the cost of producing it The prices of the papers have gradually been forced down under pressure of the pitiless competition peculiar to a centralized country where the metropolitan press soon forces the papers in the provinces to meet its standards and adopt its methods

France has the lowest priced newspapers in the world, leaving aside Belgium and the Balkan countries They cost on the average 25 centimes, that is to say one and seven tenths cents per copy In some countries the average price is two or three times that Now the French public has grown accustomed to these low prices — that is one of the national traits to which I alluded above The Frenchman never thinks of associating a newspaper's quality with its price, or at any rate he never considers that it is worth while paying more to get a better quality His economical instincts, very definitely a French trait, have long since persuaded him in the opposite direction The Frenchman, besides, rarely subscribes to a daily paper, preferring to buy it copy by copy, and, as is well known, newsstand sales are much less profitable than direct subscriptions

The French newspaper therefore is willy nilly obliged to look to other sources of income in a proportionately higher percentage Normally, of course, the main source would be business advertising But the market for advertising happens to be a very poor one in France The reason may well be that it has not been as thoroughly explored or as intensively exploited as it has been, for

instance, in the United States. It remains true that the psychology of the French public is not favorable to any great growth in advertising. Certain large elements in the French public take an attitude of instinctive mistrust towards an advertiser. One could mention any number of popular brands that have won their success without spending a penny in advertising, and many concerns would think they were losing caste — in fact, would lose caste — if their names were ever to appear in a newspaper.

Here we meet a real inconsistency in the trends of a public taste that on the one hand insists on a cheap newspaper but on the other refuses to take kindly to advertising.

In the prosperous period after the war the largest newspaper in France did not handle more than fifty million francs' worth of advertising in a year. That would be a sixth or even an eighth of the advertising which would appear in an English newspaper of the same circulation. Since the crash of 1929 there has been a drop of from 30 to 40 percent in the volume of advertising; but it does not seem that there has been any decrease in the disproportion between incomes from advertising in France and in England. One can count on one's fingers the French newspapers that sell as much as ten million francs' worth of advertising space per year.

Suppose we take a newspaper with a circulation of between 80,000 and 100,000, a figure which would class it among the more important papers in France. Its expenses will run at the very least to 6 million francs, and the strictest economy will be required to keep it as low as that. In the most favorable circumstances it cannot expect more than 4 million francs from sales and subscriptions. That leaves 2 millions to be taken care of by advertising. Now a newspaper of that size is far from being able to count on any such advertising revenue as that. *Le Populaire*, the organ of the Socialist Party, happens to be a paper of the kind described. In its accounting for the year 1931 it could not enter as high as half a million francs as having been received from advertising. The situation with papers of smaller circulations would be correspondingly worse.

The fact that the advertising field is so restricted entails a whole series of consequences. In the first place, it tends to lend special importance to concerns and individuals that function as intermediaries in the distribution of advertising contracts. It is a common practice nowadays for a newspaper, in order to "see ahead," in order to make sure of a minimum income, to lease its

space in advance. That arrangement not infrequently means that an influence which amounts almost to control of policy is brought to bear upon the paper.

Furthermore, the advertising business is highly centralized in France, being in the hands of a very few agencies. It would be exaggerating to speak of an advertising monopoly or "trust," but it none the less is true that the great bulk of French advertising is handled by the Havas Agency and its branches, in other words by the same agency that handles the bulk of French news. There are, of course, quite a number of newspapers which, because of the size of their circulation or the quality of their public or their individual prestige or fame, automatically get enough advertising to pay their running expenses. But others have to resort to gifts and subsidies.

If such gifts and subsidies are a matter of public knowledge there can be no objection to them. It is quite the rule, in fact, for political parties and associations to have their newspapers and to meet the deficits which arise. Also above reproach is the newspaper which is paid for by its proprietor, the moral personality, the moral worth, of the paper is then the personality and worth of the individual who controls it. But there are other sorts of subsidies, clandestine ones, awarded for specified purposes by individuals, business concerns, financial syndicates, even ministries of state.

The whole question of governmental subsidies to certain newspapers — the question of "secret funds" — came up rather spectacularly in connection with the recent scandals. It developed that cabinets of all political complexions had, for the purpose of hushing up attacks, been paying very considerable sums to newspapers and newspaper writers, most of them of fairly inconsequential status and certainly of very dubious morality. Everybody had known about this for a long time. Many people feigned indignation and surprise over the 'revelations,' though they knew the facts all along and were also perfectly well aware of the causes. We shall come to the causes when we describe why certain newspapers are able to practise blackmail with impunity. There has also been some talk of very regrettable cases of newspapers — and not all of them among our worst — that have received clandestine subsidies not from French ministries but from foreign governments. The opening of the imperial Russian archives after the war brought many unsavory documents of the

past to light, and these have figured in the current discussion of corruption in the French press.

The whole question of secret or confidential subsidies is now being raised — the question, to use the French term, of *publicité financière*. This covers not only the amounts a paper receives for financial advertisements, but all the subsidies, payments and allowances that a newspaper may receive without any actual advertisement being inserted. Such payments may be made to finance a campaign of one sort or another, or to purchase silence.

It is in the very nature of the business of banking and financial promotion that the publicity that gets the best results is the kind that does not look like publicity. A news item slipped into a Stock Exchange bulletin is worth more than a full page advertisement. That is why financial publicity tends to take the form of "news," and also why outside interests try to control newspapers by means of that type of publicity.

A number of circumstances have helped develop *publicité financière* in France and to give it a special character. In the first place, compared to what is brought in by commercial advertising the receipts which can be obtained from so-called "financial publicity" are enormous. The editor of a financial paper with a circulation of only 14,000 admitted, at the parliamentary inquiry into the *Oustric* affair in 1931, that he had received 200,000 francs from the *Oustric* for having inserted only sixty-nine lines of advertisement. As justification, he explained that in another case he had been paid as much as 100,000 francs for fifteen lines!

Then again, the nature of the French press law has tended to multiply the sources of what might be called illegitimate income. Our press law goes back to 1881. Its main object at that time was to guarantee the freedom of the press, and it made the most inadequate sort of provision for the punishment of slander. The penalties it inflicts are light; and the rule, as established by juridical precedent, is to allow only very small monetary damages. Only in rare cases, where the proof is admitted, is any distinction made in the punishment on the basis of whether the printed allegation was true or false. That is the rule when a prosecution for slander is begun by a minister of state or a member of parliament; but in such a case jurisdiction lies with the criminal courts (*cours d'assises*), and in those courts there is always the fear that juries will decide in the light of sentiment or political passion.

Thus it is very difficult for the victim of a published slander to get justice, or at any rate adequate justice. And it further follows that the punishments facing a professional slanderer are not dangerous enough to discourage blackmail, and that too often it is much more simple and effective to buy the blackmailer off than to prosecute him. Blackmail, moreover, is the only means of subsistence for any number of small periodicals, usually ones devoted primarily to promotion and finance, while their field of operations is greatly widened by the fact that we have such inadequate laws for the protection of savings. "Blue sky" enterprises, tolerated by the law because it has no means of dealing with them, fall ready prey to the specialist in blackmail. That is why on so many occasions the original promotion scandal will have a press scandal grafted on to it.

The Staviskey affair has brought home to the public at large the extent to which unscrupulous newspaper editors are able to avail themselves of the "conditional threat," and how, in order to halt the attacks of such men, or to gain their support, ministries both of the Right and the Left have felt it necessary to grant them subsidies from their secret funds. Thus it was revealed in the Staviskey inquiry that a small and very libelous weekly, obviously plying the blackmailing trade, had received as much as 30,000 francs a month from various ministries. The daily paper *La Volonte*, which for some time was owned by Staviskey and which although usually described as a Left paper always supported all administrations indiscriminately, including those of the Right, was shown to have been subsidized up to about half a million francs a year. The editor, Albert Dubarry, a skilful journalist of his kind, appears to have been equally feared by all governments.

In the world of big business an allotment for "financial publicity," which to a large extent corresponds really to a "blackmail allotment," seems to be only too often accepted as a matter of course, as the safest of all kinds of insurance. The statesman or business man finds on the list of papers which he is expected to favor the names of altogether respectable newspapers along with the names of others which are far from clean. He naturally is more or less bewildered, and his confusion seems sometimes to be studiously perpetuated by the advertising agents who make up the lists of beneficiaries, who distribute the funds, who never ask for receipts, and who never give any receipts to the donors.



The status and the influence of these agents make up one particular aspect of the newspaper problem in France. They obviously play a very important rôle as confidential advisers and as go-betweens between the money powers and the press. To the financier they look like magicians endowed with the power to quell storms or rouse them. To the newspaper owner they are dispensers of those golden showers which may be a matter of life or death. The distribution of "financial publicity" is concentrated in a very few hands, and those same hands, in some cases, control commercial advertising as well. The agent therefore is likely to be a man of power, and working through the papers which he has in tow he may be able to exert a very considerable influence on public opinion. He accordingly is feared, "considered," and may even at times be utilized by men in the government.

Fortunately for French democratic institutions, there still are quite a number of papers that can afford to be independent of the system just described. Quite apart from many weeklies and fortnightlies both in Paris and in other parts of the country, and apart also from the newspapers that are supported by the political parties, there are a few dailies that are rich enough and solidly enough established not to find "financial publicity" an indispensable source of income, or at least to be able to pick and choose as to what they will do. In the provinces generally the big newspapers have a somewhat easier time of it because running expenses are lower, because sales can be more easily checked and so yield higher returns, and because local advertising escapes the grasp of monopoly.

Not that the system is not a foe to be feared even by independent organs. A number of papers that have tried to fight it have been crushed in the end or else forced into line. *Le Quotidien* furnishes an example. When it was founded in 1923 as the organ of the Left it announced that it would refuse all subsidies and would fight against corrupting influences in the press. The money for launching the paper had been raised on this program through the sale to the readers themselves of bonds and shares of the publishing company. The paper was greeted with enthusiasm and its success was considerable. About 22 million francs were paid in to it in over 20,000 small subscriptions from all parts of the country. For some time the paper kept to its promises. It gained a very wide circulation and was highly influential at the time of the 1924

elections and during the ministries of the "Cartel." But in 1926 came the revelation, brought about by the revolt of the contributors to *Le Quotidien* themselves, that the paper had received subsidies from the railway and insurance companies, and, generally speaking, from the big financial interests, to persuade it to modify its policy.

However, the system has suffered a number of hard blows recently from Parliament. And that, incidentally, explains the prominence that has been given during the past year to the anti-parliamentary campaign in certain quarters where the system is powerful. Even before the war, the parliamentary commission that investigated the "Panama Affair" and the railroad contracts laid bare a veritable symphony of press publicity that had been worked up by "distributing specialists." The investigation of the *Oustric* affair in 1931 revealed positive data as to just how the blackmail budgets of a number of big banks function and as to the activity of the agents.<sup>1</sup> Now comes the light thrown by the Stavisky affair on blackmailing newspapers and on the subsidies they sometimes get even from official sources, helped by the inadequacy of legal instruments for dealing with them. It has also supplied new data on the activity of the agents and on the off-hand and not very idealistic choices they make of customers.

The parties of the Left and their newspapers have tried to utilize the facts now unearthed to show how unfair the present organization of the French press is to them. It is indeed a fact that if a newspaper could be made to pay merely by being soundly managed and winning a fair number of readers, there soon would be organs enough to represent the various political tendencies in the country on a more or less proportional basis. But if, more often than not, political support or subsidies from big business are essential, then the advantage undoubtedly lies with the parties which are socially and politically conservative, and with their newspapers.

That is the situation in France today. The axis of newspaper opinion undoubtedly lies to the right of public opinion. It may be answered that that is of no great importance since, as experience

<sup>1</sup> At the *Oustric* inquiry in 1931 a former governor of the Bank of France, M. Moreau, made the following statement: "Newspapers — it may be good or bad, but it is rather bad in my opinion — apply to all banks. Newspapers cannot live without subsidies or without advertisements from the mere proceeds of their sales. They come therefore to ask for assistance and this can be given to them in two different ways. Either it is given after each service rendered or lump sums are paid in from time to time so that little by little certain papers become actually subsidized."

proves, the attitudes taken up by most of the big papers do not seem to exert any appreciable influence on elections. But this is not the whole story. One cannot overlook the influence that the press exercises on political life from day to day, nor, more important still, the power it has in sudden emergencies, when the gravest decisions may depend, not on the outcome of an election, but on an impulse of passion or panic. Another important consideration is that the idea which foreign observers can have regarding the state of French opinion at any given moment is necessarily built upon the attitude of the leading French papers — and that is often very far removed from reality.

In these circumstances the parties of the Left are getting more and more interested in the problem of the press. Last year the League for the Rights of Man, which with its 180,000 members can be taken as the most important of the Left groups, drew up a comprehensive program for press reform. In the minds of its authors the program was designed to strengthen the economic situation of newspapers and make them independent as far as possible of abnormal revenues. It provided for a minimum price for newspapers and for the establishment of national agencies for the distribution of commercial advertising. In order to strike at the so-called "financial publicity" and at secret subsidies, it proposed a series of legal enactments to make slander in the press a crime, to strengthen the protection of savings against fraud, to punish blackmail, and to compel newspapers to publish accounts.

Proposals of this kind naturally arouse stubborn resistance. Their chances of being adopted would be virtually nil in ordinary times. But these are not ordinary times. The attack on the parliamentary régime launched by the Right has been met from the Left by attacks on the press system, and with some success in arousing public interest. If the eagerness for reform which has been manifested in all parts of France is to be satisfied, some steps will probably have to be taken to strengthen the independence and improve the veracity of the information which is the basis of public judgment.

# PROBLEMS OF FEDERATION IN AUSTRALIA

*By Frank R. Beasley*

ON THE first day of the twentieth century the six Australian colonies became united as a federal Commonwealth, under a constitution of their own making but formally enacted by the Parliament of the United Kingdom. The stimulus to closer cooperation was manifold. During the second half of the nineteenth century certain foreign Powers had taken an interest in the islands of the Pacific that was by no means to Australia's liking. France, already established in New Caledonia and suspected of designs upon the New Hebrides, began in 1864 to use the former island as a prison for her *récidivistes*. Australia returned to the path of righteousness in 1867 with the final abandonment of the transportation of convicts as a means of increasing her scanty population, and in her newly acquired respectability resented the existence of a foreign jail so close to her shores. In 1875 the United States and Germany acquired interests in Samoa, and soon afterwards it was rumored that the latter Power was casting covetous eyes on northeast New Guinea. In 1883 Sir Thomas McIlwraith, then Premier of Queensland, sought to forestall German designs by annexing that territory in the name of the Queen, but the English authorities, in repudiating the annexation, plainly intimated that if the Australian colonies desired to extend their territorial limits they must first create a responsible all Australian government.

But the internal factors were of more importance than the external as an inducement to union. Secondary industries were being established in Australia, the volume of exports and imports was steadily increasing, and the commercial classes began to object to the tariff barriers which most of the colonies were raising against the products of their neighbors. Trade unionism, growing in strength in the closing years of the century, regarded colonial boundaries with indifference and tended itself to seek a national basis. In 1893 Australia had its first taste of genuine depression, public extravagance and private speculation led to a disastrous inflation of land values, the bubble burst, and all but the strongest banks were compelled to close their doors and then to reconstruct at the expense of their shareholders and depositors. The whole of

Australia suffered; but out of that suffering there emerged a realization of Australia's economic unity, and a determination to seek the union in which lies strength.

Constitutional conventions were held intermittently during the last decade of the nineteenth century. It was generally agreed that if federation was to come and to endure, the bad old days of the intercolonial tariff war must be brought to an end. But that would involve the transfer to the new federation of the sole power to levy duties of customs and excise, and this form of indirect taxation was the source from which nearly all the colonies drew the bulk of their public revenues. How was freedom of intercolonial trade to be reconciled with the financial needs of the federating colonies? The latter insisted that even after federation had become an accomplished fact they must still receive a share, and the lion's share at that, of the customs and excise revenue. The first proposal submitted to the constitutional convention was that for all time the federal government should not be allowed to use more than one-quarter of the net revenue from customs and excise duties, the balance to be refunded to the States or used to pay interest on State debts taken over by the Commonwealth.

New South Wales, warned by American experience of the difficulty of securing constitutional revision, was uncompromising in its hostility to a financial *modus vivendi* which looked as though it would be permanent. This had been the first of the Australian colonies to be settled. Comprising a relatively compact territory in the more temperate zone, it had all the advantages of an early start. For a generation it was partially eclipsed by the industrial and mercantile expansion of Victoria, whose progress was stimulated by the gold discoveries of the fifties, but at the end of the century New South Wales was developing more quickly and with greater variety than the remainder of Australia. It was the original home of Australia's greatest asset, the merino sheep, its land and climate were eminently suited for agricultural and pastoral pursuits, it was well endowed with minerals, and by the end of the century it had achieved a reasonably balanced economy.

New South Wales had no vested interest in the maintenance of a protectionist system; but its opposition to the financial clauses of the constitution was not based on the long view that free trade is preferable to tariffs. As the most populous State it would make the largest contribution to the federal revenues, and, fearing a distribution of those revenues on a territorial basis, it had no

needs. It appreciated the necessities of the States, and was prepared to assist them by taking over a portion or even the whole of their public debts, or alternatively to subsidize them in agreed amounts each year. The States, like Oliver Twist, still wanted more. But they were not in a position to hold out, for they were soon to lose the constitutional protection afforded by the Braddon clause, in place of which they could only claim to share in any federal surplus. They would then be completely at the mercy of the Commonwealth, which could stop all State subsidies by the simple expedient of lowering taxation or increasing expenditure so as to ensure that there would be no divisible surplus. But decreased federal taxation meant, primarily, a lowered tariff, the States could not operate in that sphere, and in the meantime Australian manufacturers had enjoyed protection long enough to make them staunch supporters of high tariffs, so that they used their influence against any proposed change that might expose them to keener competition from overseas.

Ultimately it was agreed that the States should abandon their claim to a share in the customs revenue, and should receive in its place an annual subsidy calculated at the rate of 25 s. per head of population, to make their position reasonably secure. It was proposed that the new arrangement should be incorporated in the constitution. This involved a constitutional amendment. The new scheme was accordingly submitted to referendum, but was defeated. Nevertheless the Commonwealth proceeded to implement the plan by passing the Surplus Revenue Act, the per capita payments therefore depended upon the good will of future federal parliaments instead of becoming unalterable except by constitutional amendment. The amount payable on the per capita basis was less than three quarters of the customs and excise revenues, had the States been able to foresee that within the next few years there would be a great increase in those revenues, they might have been far more recalcitrant in their opposition to any change in the basis of distribution. At the same time Western Australia and Tasmania, which had suffered disproportionately from the federal high tariff, were recompensed by the grant of special subsidies for a period of ten years.

Hardly had this readjustment been made than the World War broke out. "Defense" is a matter exclusively within the competence of the Commonwealth, which financed its participation in the war partly out of revenue, but for the most part out of

loans raised in Australia and in England — the bulk of the war indebtedness being incurred at home. Commonwealth expenditure was greatly increased; but the federal government nevertheless continued to make the per capita payments to the States. On many occasions since the war it has endeavored, but without success until recent years, to induce the States voluntarily to accept some new arrangement. It suggested, for example, that the per capita payments should cease, and that in return the Commonwealth should abandon taxation on land and incomes. But the States preferred a system of subsidies that automatically increases with the growth of their population and spares them the unpopularity always caused by heavy direct taxation. In 1927 the federal government cut the Gordian knot by securing the passage of the States Grants Act, which terminated the per capita system and substituted — for one year only — special grants to the States calculated on the old basis, with additional subsidies to Western Australia for five years and to Tasmania for two years. There was no promise to renew the States Grants Act in later years; the States were now in the unenviable position of being compelled to listen favorably to any proposals that the Commonwealth might make as to the future.

In all fairness it must be stated that the federal proposals were equitable and statesmanlike. They were subsequently made the basis of an agreement, and were incorporated in the Financial Agreement Validation Act of 1929, passed after the electors by referendum had approved the insertion in the constitution of a new section enabling the Commonwealth to enter into financial agreements with the States and making any such agreements unalterable except by consent of all the parties thereto. The "financial agreement" which is now in force was in fact signed in December 1927 (before the referendum was held), and subsequently ratified and confirmed. Payment of per capita grants has ceased; to recompense the States, the Commonwealth took over State debts as at July 1, 1927, and undertook to apply to the payment of interest thereon the sum of £7,584,912<sup>1</sup> per annum for 58 years. During the same period the Commonwealth also pays the sum of 2 s. 6 d. percent to a sinking fund, the States contributing 5 s. percent and further indemnifying the Commonwealth against liability to payment of interest in excess of the federal contribu-

<sup>1</sup> The amount which the States would have received in 1928 if the per capita system had been continued.

tion For the future, all borrowing is to be coordinated, and money raised only by Commonwealth securities issued by authority of the Australian Loan Council, this body consists of one federal representative and one member from each of the six States, but the federal representative has two ordinary votes and a casting vote A sinking fund is to be established in respect of all new issues authorized by the Loan Council, to which the Commonwealth and the borrowing State contribute 10 s percent per annum in equal moieties

No sooner had this agreement been confirmed by all parties than Australia received the full blast of the depression The overseas loan market abruptly closed, thus depriving the public finances of an increment which for some considerable time had averaged £30,000,000 per annum, and the local investor was chary of assisting governments to add to their internal obligations The Loan Council was not required to exercise supervision over new external loans, because that source had completely dried up, but it did play an important part in devising, with the cooperation of the Commonwealth Bank and the trading banks, expedients for financing the budget deficits which were clearly inevitable The 'Premiers' Plan,' introduced in 1931 for the rehabilitation of Australian finances, contemplated a gradual return to budgetary equilibrium, governmental expenditure was reduced, wherever possible, by an average of 20 percent, and the burden of internal indebtedness was lightened by a conversion loan which though nominally voluntary was virtually an enforced surrender by the bondholder of one fifth of his interest One important item, however, could not be affected by the reconstruction plan, namely, Australia's external indebtedness A portion of the latter debt has since been converted to a lower rate of interest in the London market, thanks to the untiring efforts of Mr Stanley Bruce, but the burden is still heavy Interim budget deficits have been financed by bank overdrafts, strictly supervised by the Commonwealth Bank, and by Treasury Bills

The Premiers' Plan aimed at the rehabilitation of "Australian" finances, it has had the desired effect of stimulating the recovery of budgetary equilibrium in the federal sphere, while State finances, for a variety of reasons, continue to languish A year after the inauguration of the Plan there was a partial return of confidence, overseas trade began to increase, bringing more grist to the federal mill in the form of customs duties Federal loans for



the most part had been raised in Australia; the internal conversion loan gave relief to the federal exchequer. On the other hand, most of the State loans were raised abroad, only a fraction has been converted to a lower rate, and the States must also find the exchange on their overseas remittances. Furthermore, the federal government has received another windfall in the form of the temporary remission of interest and sinking fund contributions on the war debt owed to the British Government, a saving of approximately £7,000,000 per annum in Australian currency. In the result, federal finances are in a remarkably healthy condition. This is poor consolation to the States, whose combined deficits for 1932-33 amounted to £8,609,000. State appeals to the federal government for assistance out of the latter's surplus have fallen on deaf ears; Prime Minister Lyons has stated that the policy of his government is to reduce taxation with the object of stimulating trade and industry. It is hoped thus to increase employment and the aggregate income upon which the States can levy taxation, and at the same time relieve State budgets of part of the heavy charges now incurred by them in unemployment relief, for which the States are solely responsible.

The apparent unconcern with which the federal government regards State difficulties has added fuel to the smoldering fire of discontent among the States, and particularly in Western Australia, always an unhappy and uneasy partner in the federal alliance. Western Australia has the largest area and the smallest population of the five mainland States; its chief resources are agriculture and the pastoral industry, together with gold mining, which lay moribund for nearly twenty years and then received a sudden fillip from the high price of gold and the depreciation of the Australian pound. Of secondary industries there are none of any great importance, and the lack of good coal, water power, and minerals other than gold means that for decades Western Australia will be a primary producer and little more. It is a State that must always rely far more upon the energy of man than upon the bounty of nature. Its system of communications is artificial; the monotonous configuration of the country does not lend itself to natural development; its soil is on the whole poorer than that of the other States; the summer rainfall is negligible, and high temperatures make water conservation a difficult problem in the outback areas. Thus geographical isolation and the federal tariff have combined to make Western Australia the

Cinderella of the Australian States, but a Cinderella with little hope or prospect of the arrival of a Prince Charming to rescue her from her humble condition

One effect of the federal tariff is to increase the farmer's costs. In New South Wales and Victoria its incidence is offset by the opportunity afforded to local manufacturers to monopolize the not inconsiderable home market for secondary products. But in Western Australia there are few secondary industries to benefit, and it is commonly alleged that if industry does seek to establish itself there, it is promptly countered by the machinations of manufacturers in the "eastern" states, who dump their products in Western Australia at prices with which the local industry cannot compete. When the latter has been successfully squeezed out of existence, the price of the "eastern" article soars once again. Communication between the east and west of Australia is infrequent, there is a bi weekly train service each way by the transcontinental system, which crosses the vast desert of the Nullabor Plain, and a weekly mail and passenger service by air. The federal Navigation Act restricts the coastal trade to Australian vessels by prescribing rates of wages and conditions of employment with which overseas ships find it unprofitable to comply. There is a weekly passenger service and a slightly more frequent cargo service, but Western Australians cannot make use of the overseas liners which constantly call at the main ports. Commissions of inquiry have invariably commented upon the disadvantages put upon Western Australia, the reply of the federal authorities has been to dole out another subsidy which the State regards as hopelessly inadequate.

The upshot has been the growth of a movement aiming at secession from the Commonwealth. Its sponsors, assisted by a section of the less responsible press, became so vociferous as to succeed in inducing an expiring government to make secession a vital issue and to hold a referendum thereon at the State elections early in 1933. The result was in some ways surprising. Secession won the day by a two to one majority. The retiring government, a liberal agrarian coalition, had hopefully declared itself in favor of secession, but it was defeated at the polls. Its Labor successors, elected to office by a large majority, are in principle opposed to secession and in favor of unification in place of federation. During the campaign the Labor candidates astutely avoided the bait dangled before them by their opponents, they steadily refused to make secession an election issue, advising their supporters to vote

as they thought best. It is possible that a firm stand against secession would have cost the Labor party what was largely a "stunt" election, but would have made the majority for secession much smaller or even have converted it into a minority. Many of the electors openly stated that they intended to vote for secession, not because they wanted or expected to get it, but as an emphatic protest against federal indifference to local disabilities.

After the election, the Labor Premier, Mr. P. Collier, who had previously informed his constituency that he was opposed to secession,<sup>2</sup> announced that he regarded the result of the referendum as a mandate to seek the release of Western Australia from the federal compact. With that end in view he secured the consent of the legislature to the appointment of a non-parliamentary committee charged with the duty of preparing a statement of the reasons why Western Australia will benefit by becoming a separate "Dominion" under the Crown. The committee, after several months' work, recently produced "The Case for Secession," a voluminous and at times highly controversial document which is a medley of facts, statistics, assertions, and hopes. Shortly before the "Case" appeared, an abortive conference of State and federal ministers had met to consider the readjustment of the financial relations of the parties, and to recommend such constitutional changes as might be thought necessary. The States were not agreed as to what they wanted and how it should be given to them; while the federal government showed a sorry lack of statesmanship by using the dissensions of the States as a pretext for doing nothing.

The Parliament of Western Australia now proposes to move further in the matter of secession. It is inconceivable that the electors throughout the Commonwealth would approve a constitutional amendment designed to permit the western State to withdraw. The alternative is to place hope in London. A petition is to be addressed to the King, the House of Lords, and the House of Commons, asking for the introduction of a Bill into the Parliament of the United Kingdom for the purpose of amending the Commonwealth of Australia Constitution Act by omitting all references therein to Western Australia and effecting necessary incidental changes. In vain have constitutional lawyers in England and Australia insisted that the time has gone when the

<sup>2</sup> Mr. Collier was able to do this with impunity because he represents a mining constituency, and the goldfields are still faithful to federation.

Parliament of the United Kingdom can exercise a benign influence over colonial (or more properly, dominion) affairs. For the Balfour Declaration of 1926 recognized the legislative independence of the dominions, and that declaration was implemented in 1931 by the Statute of Westminster, whereby the Parliament of the United Kingdom expressly renounced the last vestige of its right to legislate for the British self-governing dominions. Secessionists assert that the "mother of Parliaments" has never denied justice to her overseas suppliants, and that the merits of Western Australia's claim for independence are so obvious that London will hasten to do everything that she asks.

Vague predictions are also made of an age of plenty in which Western Australia will grow vast quantities of wheat, wool and other primary products for the English market, when, in return for the concession of a privileged position in that market, Western Australia will grant a substantial preference to English manufactured goods. The low tariff which it is proposed to impose on such imports will enable the farmer to make a profit once more, and at the same time will produce sufficient revenue for the needs of government. If the development of an "independent" Western Australia is bound up with the conclusion of agreements with England for the mutual interchange of primary products and manufactured goods, the future is indeed gloomy. The Mac Donald government in Great Britain is not showing the least indication of a desire to encourage the importation of primary products in exchange for trade preferences, and there is no reason to suppose that the near future will bring a reversal of the present policy of stimulating agricultural production in England itself. The autarchy which is so popular throughout the world today is a bad omen for those countries which must rely on a steady growth of the export of their primary products to increase their population and wealth. But if, as the present writer believes, the reply of the British Government to the Western Australian petition will consist of a policy of delay and inactivity, the federal government will none the less find it necessary to show more sympathetic understanding than it has in the past regarding the undoubted disabilities which the isolation and the economic limitations of Western Australia do impose on that State as a member of the federal Commonwealth.

# SAUDI ARABIA



Ibn Saud today is overlord of the "Kingdom of Saudi Arabia." Beginning as Sheik of Nejd, in Central Arabia, he before the war had annexed the Turkish province of El Hasa on the Persian Gulf. Subsequently he subdued the Ibn Rashids, in the north of the peninsula, with Haql as their capital. In 1924 he drove King Hussein of the Hejaz into exile, and by 1925 had completed the annexation of the Hejaz lands by taking Medina and Jidda. In 1930 he incorporated into his kingdom the land of Asir, until then a protectorate. He completed the process of establishing his hegemony over the peninsula when he beat the troops of the Imam of Yemen, and in a subsequent treaty (June 1934) established a relationship which practically made the Yemen a protectorate. (For details see "The Unification of Arabia," by Hans Kohn, *FOREIGN AFFAIRS*, Vol. 13, No. 1.)

# THE SOYA BEAN IN INTERNATIONAL TRADE

*By George Douglas Gray*

THE soya bean has been described as unquestionably the most important food plant in the world. It contains all the elements necessary for a balanced diet. Ground dry, it yields flour from which bread can be made, ground wet and curdled, it forms bean curd which may be substituted for meat, plucked green, it may be used as a vegetable, rich in vitamins, fermented, it yields sauces, pressed, it produces oil for use in cooking. The soya bean also is food for cattle, while the bean cake makes excellent fertilizer. In addition to its food properties, the bean and its by products have a multitude of industrial uses ranging from an ingredient of paint to a substitute for rubber.

The soya bean is the principal crop in Manchuria. Under Japanese management its culture has been developed and its uses extended. It has had a dominant part in drawing 30,000,000 Chinese to Manchuria, and it has aided them in building there a prosperous community. The profit from its transport and sale has in large measure supported the Japanese adventures on the mainland of Asia. Thus it has been an important factor in determining the policies of Far Eastern countries in the regions where it is grown most successfully.

From the Far East, where it is indigenous, the soya bean has been introduced to other parts of the world and it can be successfully cultivated in many countries. Outside of Asia, the greatest progress in its development has been made in the United States. In Europe it is grown in Hungary and Czechoslovakia, and to some extent in Germany. Table I gives the figures for the principal producing countries.

Japan's predominant influence in Manchuria dates from the end of the Russo-Japanese War of 1905. In those days Manchuria had an unfavorable trade balance. By 1917 it had become favorable, and today this balance is as great as the total of imports into Manchuria. Table II shows the growth of Manchuria's trade and the favorable balance which she has enjoyed in recent years.

The importance of the soya bean in maintaining this favorable trade balance for Manchuria may be seen from Table III, which compares the principal exports by value (in millions of Hsankwan taels) and gives the percentage which each represents in the total exports.

Apart from Manchuria, most of the countries which produce soya beans find a market for them at home. An exception is the United States, which in 1932 exported 112,700 tons — a figure roughly equivalent to 5 percent of Manchuria's export in the same year. In recent years something like a fifth of the Manchurian export of beans and about three-fourths of the export of bean oil has gone to Japan, most of the rest has been sent to Europe. Table IV shows where these products have been shipped.

At a time when there is supposed to be an over production of foodstuffs in many parts of the world, with huge surpluses hanging over the markets and depressing prices, it may be wondered what merit there is in studying the pos-

# I. WORLD SOYA BEAN PRODUCTION

	<i>Acres under Cultivation</i>	<i>Annual Production (in bushels)</i>	<i>Production (per acre)</i>	<i>Percentage of World Production</i>
Manchuria.....	10,184,928	208,298,428	20.4	59.3
China Proper.....	5,635,000	89,340,000	15.8	25.4
Japan.....	913,836	15,238,873	16.6	4.3
Korea.....	1,942,922	20,431,745	10.5	5.8
U. S. A.....	1,373,000	18,146,000	13.2	5.2
Total.....	20,049,686	351,455,046		100.0

# II. TRADE OF MANCHURIA

(in millions of Haikwan taels)

<i>Year</i>	<i>Imports</i>	<i>Exports</i>	<i>Total</i>	<i>Balance</i>
1907.....	30.7	22.0	52.7	- 8.6
1917.....	158.6	161.1	319.7	+ 2.5
1927.....	262.3	401.3	663.6	+139.0
1928.....	294.8	428.6	723.5	+133.8
1929.....	322.4	422.8	745.2	+100.4
1930.....	296.6	389.9	686.6	+ 93.3
1931.....	218.9	473.9	692.8	+255.0
1932.....	192.9	384.5	577.4	+191.6

# III. EXPORTS OF MANCHURIA<sup>1</sup>

(in millions of Haikwan taels)

	<i>Soya Bean Value</i>	<i>Products Percent</i>	<i>Coal Value</i>	<i>Percent</i>	<i>Koaling Value</i>	<i>Percent</i>	<i>Millet Value</i>	<i>Percent</i>	<i>Pig Iron Value</i>	<i>Percent</i>
1927.....	219.5	54.5	35.3	8.8	18.9	4.7	32.0	8.0	6.1	1.5
1928.....	245.7	57.2	34.9	8.1	19.2	4.5	23.5	5.5	7.5	1.7
1929.....	255.1	60.6	37.6	8.9	7.7	1.8	16.5	3.9	7.4	1.7
1930.....	206.9	53.2	37.6	9.7	6.4	1.6	24.4	6.3	8.5	2.2
1931.....	274.2	58.2	45.6	9.7	15.3	3.2	10.9	2.3	10.8	2.3
1932.....	234.6	60.8	32.6	8.5	18.2	4.7	15.1	3.9	9.6	2.5

<sup>1</sup> Compiled from "Economic Handbook of the Pacific Area" (Institute of Pacific Relations New York, 1934).

# IV. IMPORTS OF SOYA BEAN AND SOYA BEAN OIL

	<i>Soya Beans (in tons) 1930</i>	<i>1932</i>	<i>Soya Bean Oil (in tons) 1930</i>	<i>1932</i>
United Kingdom.....	91,309	158,938	25,249	27,343
United States.....	.....	.....	3,276	180
France.....	547	14,293	11,777	4,208
Holland.....	19,231	41,684	1,099	2,590
Denmark.....	176,264	288,864	1,946	2,257
Germany.....	874,790	1,168,300	12,871	3,739
Italy.....	8,043	21,504	2,849	3,488
Belgium.....	.....	.....	20,549	5,600
Japan.....	511,500	481,600	76,725	72,240

sibility of developing soya bean production. But though there are food surpluses in many countries, a substantial portion of the world's population — and this is particularly true in the Orient — has insufficient to eat. The soya bean may assist in improving this condition, or it may displace other crops which are less valuable. Furthermore, the soya bean is not merely a food product, one might even say, in view of its many industrial uses, that it is not essentially a food product.

Cultivation of the soya bean has proved profitable in the United States. Until quite recently the whole production was absorbed domestically, but recently it has been demonstrated that the American bean can find a market in Europe. It is now evident that American agricultural methods, fostered by the research work of the Department of Agriculture, have produced a bean which not only can compete with the Manchurian bean but is an improvement on it, so that it is growing in favor with British and European mills. Thus the development of the American soya bean may make up for part of the losses suffered by American trade in various directions — notably the loss in foreign demand for American wheat. Indeed, it has been proven that the bean will grow in the middle western states which find themselves with a surplus of wheat and a dearth of substitute crops. Now that wheat acreage is being curtailed, may not the soya bean provide a new source of revenue for the harassed farmer? Doubtless economic planners in Washington have given consideration to this possibility. The United States Department of Agriculture has shown by practical experiments what are the best varieties for different states, and expects good profits for the grower when the bean obtains the public recognition it deserves.

It is not easy to foresee the consequences that would flow from a vigorous expansion of the American soya bean crop. Inevitably the American bean would set up keen competition with the Manchurian product. If it were to supersede the latter in the European market the prosperity of Manchuria would be menaced. But it seems clear that with increasing knowledge of the peerless qualities of the bean, both as food and for industrial and agricultural purposes, the demand for it, not only in Europe but in all countries, will increase.



## GERMANY'S DEBT BURDEN

GERMANY is the second largest debtor to the United States; only Canada outranks her. Approximately 38 percent of the outstanding European bonds which have been publicly offered in the United States are German. According to the Institute of International Finance, the amount of German bonds payable in dollars and still outstanding on August 31, 1934, was \$1,047,184,400. According to this same authority, total European dollar issues in default amount to \$1,373,464,900, and of these \$982,451,400, or 72 percent, are German.

The problem of European defaults is, indeed, mainly German. The non-German European dollar bonds in default amount in round numbers to \$391,000,000, but they are divided among ten different countries and, except in one or two instances, the amount for any one country is small. The total of them all is not much more than the amount of the default of any one of three Latin American countries — Brazil, Chile and Mexico — each of which is reported to be in default in excess of \$300,000,000.

While Germany's long-term debt to the United States of more than a billion dollars is large in an absolute sense, it is less per capita than similar debts owed by several other countries. And if differences in per capita wealth are taken into account, the burden of Germany's debt to the United States appears lighter still. Clearly, it is not the relative size of this debt but the difficulty of finding a practicable method for transferring payments that constitutes the main problem.

Following is a comparison of the total and per capita long-term dollar indebtedness of Germany with that of various other countries:

### LONG-TERM DOLLAR LOANS OUTSTANDING IN 1934

	Total (in millions)	Amount per capita
Argentina.....	\$363	\$33
Brazil.....	377	9
Chile.....	311	72
Colombia.....	158	20
Mexico.....	302	18
France.....	188	5
Germany.....	1,047	17
Great Britain.....	20	0.5
Italy.....	241	6
Canada.....	2,682	268
Australia.....	260	40
Japan.....	398	6

If we consider the debt of the German Government apart from the German commercial long-term debt, its relative lightness compared with that of other governments is similarly apparent. The "World Economic Survey" for 1933-1934, recently published by the Economic Intelligence Service of the League of Nations, presents a tabulation of the total public debt of various countries at the end of the last fiscal year, including the amount which is owed

externally. While the figures there given are not strictly comparable internationally, they indicate clearly that the per capita public indebtedness of Germany is less than that of any other important European country. This is shown in the following table:

### PUBLIC DEBT OF IMPORTANT COUNTRIES

*Converted into dollars at the current rate of exchange*

	<i>Total (in mill. dollars)</i>	<i>Per capita</i>	<i>Percent Owed Externally</i>	<i>Per capita</i>
France	\$30,360	\$726	38	\$276
Germany	4,682	80	19	15
Great Britain	39,300	850	13	110
Italy*	8,755	212	2	4
United States	27,053	217		

\* Data for Italy do not include Allied war debts which are included in the data for France and Great Britain.

The foregoing tables obviously do not give a complete picture of the debt burdens of the various nations listed. In the case of the Latin American countries which have done most of their borrowing in the United States, the first table gives a better indication of the burden of external indebtedness than it does for Germany, which has borrowed extensively from the creditor nations of Europe as well as from the United States. But this does not vitiate the conclusion that the debt burden of Germany is relatively light and that it would not be beyond her capacity to pay if her present policy of *Autarkie* and her creditors' trade restrictions were modified to conform with economic realities.

IV. O S

# SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

*By William L. Langer*

NOTE.—FOREIGN AFFAIRS will supply its readers, *post free*, with any book published in the United States, at the publisher's regular list price. Send orders, accompanied by check or money order, to Book Service, FOREIGN AFFAIRS, 45 East 65 Street, New York City.

## *General: Political and Legal*

DOCUMENTS ON INTERNATIONAL AFFAIRS. 1933. EDITED BY JOHN W. WHEELER-BENNETT. New York: Oxford University Press, 1934, 536 p. \$10.00.

This latest volume of a useful collection gives what the editor considers the essential documents for each country, as well as a selection of the chief material on world economic affairs, disarmament and security.

DOCUMENTARY TEXTBOOK ON INTERNATIONAL RELATIONS. BY JOHN E. HARLEY. Los Angeles: Suttonhouse, 1934, 848 p. \$6.00.

This collection of source material, with running comment and bibliographical notes, should prove valuable for students of international relations. It covers the development of the system of international coöperation, the League, the Court, the Labor Organization and the Pan-American Union. Part II is devoted to the pacific settlement of international disputes; part III to the renunciation of war; part IV to arms limitation.

POLITICS AND POLITICIANS. BY FREDERICK S. OLIVER. New York: Macmillan, 1934, 101 p. \$1.25.

An analysis of the political mind as it appears at various stages in world development, by the author of "The Endless Adventure."

A GUIDE TO MODERN POLITICS. BY G. D. H. COLE AND MARGARET COLE. Toronto: Ryerson Press, 1934, 559 p. \$1.50.

The work of well-known socialist writers: largely a description, well-informed if rather passionate, of present-day systems, followed by some theoretical discussion and prediction.

SCIENCE FOR A NEW WORLD. EDITED BY SIR JOHN ARTHUR THOMSON AND J. G. CROWTHER. New York: Harper, 1934, 398 p. \$3.75.

The scientific outlook on world affairs expounded by fifteen men of science.

IF I WERE DICTATOR. BY JULIAN HUXLEY. New York: Harper, 1934, 162 p. \$2.00.

One of the most interesting of a series published under the same title. The author stresses the need for ideas and intelligent planning.

LIBERTY TODAY. BY C. E. M. JOAD. London: Watts, 1934, 216 p. 2/6.

A conventional discussion of the decline of liberty and the rise of dictatorship, with a defense of the traditional liberal viewpoint.

DEMOCRACY AND MILITARY POWER. BY SILAS B. MCKINLEY. New York: Vanguard, 1934, 313 p. \$3.00.

An historical review and critique elucidating the forces making for Fascism.

FORCE. BY LORD DAVIES. London: Benn, 1934, 242 p. 21/.

A serious book which presents an effective argument for world federation and the reduction of military establishments to police forces.

DIE TRÄGER DER ÖFFENTLICHEN MEINUNG. BY E. MANHEIM. BRNO: Rohrer, 1934, 147 p. M. 5.

A scholarly sociological study of public opinion.

**HOW TO MAKE A REVOLUTION** By **RAYMOND POSTGATE** London Hogarth, 1934, 199 p 5/

A persistent student of the technique of revolution criticizes the Marxist tradition and the interpretation of Lenin and sees no hope for socialist victory except through persuasion and strong leadership

**ZAHAROFF, HIGH PRIEST OF WAR** By **G DAVENPORT** Boston Lothrop, 1934, 330 p \$3 00

A new popular biography of a man who has become the symbol of the international arms-trafficker

**LABOUR AND WAR** By **BJARNE BRAATØY** London Allen and Unwin, 1934, 216 p 8/6

This book discusses efforts to prevent war, and the attitude of Labor

**SICHERHEIT UND GERECHTIGKEIT** By **FRITZ BERBER** Berlin Heymanns, 1934, 165 p

A brilliant semi popular survey of international law and organization which emphasizes the static concept of French security and contrasts it with the German concept of a dynamic international system with its stress on justice and equality

**SEA POWER IN THE MODERN WORLD** By **ADMIRAL SIR HERBERT RICHMOND** New York Reynal and Hitchcock, 1934, 323 p \$3 00

An important book by a distinguished British officer, discussing the elements of sea power, the changes introduced by the airplane and submarine, and the problems of collective and individual security

**GESCHICHTE DER LUFTWAFFE** By **H FREIHERR VON BÜLOW** Frankfurt Dusterweg, 1934, 176 p M 4

A brief popular history of military aviation

**GUERRE ET PROTECTION** By **GENERAL POUDEROUX** Paris Nouvelle Société d'Éditions, 1934, Fr 12

Another professional exposition of the air menace and possible solutions

**SOME ASPECTS OF THE COVENANT OF THE LEAGUE OF NATIONS** By **SIR JOHN FISHER WILLIAMS** New York Oxford University Press, 1934, 329 p \$4 00

A series of lectures by a well known international jurist The book surveys the chief provisions of the Covenant and stresses throughout the idea that this and kindred documents must be taken as statements of principles, which must be interpreted and adapted to meet changing needs

**THE ORIGINS OF THE INTERNATIONAL LABOUR ORGANIZATION** Edited by **JAMES T SHOTWELL** New York Carnegie Endowment, 2 v \$10 00

One volume of history, followed by another volume of documents The purpose is not only to give a detailed account of the origins of the Labor Organization, but to stress the idea that the organization was thought of as something independent of the League  
**THE PERMANENT COURT OF INTERNATIONAL JUSTICE** By **MANLEY O HUDSON** New York Macmillan, 1934, 758 p \$5 00

This will at once become the authoritative treatment of the World Court The author, long known as a close student of the subject, here presents an exhaustive scholarly analysis of earlier efforts to establish an international tribunal The bulk of the book, however, is given over to a detailed study of the Court's organization, jurisdiction and procedure, and of the law which it applies Many of the essential documents are also reprinted The volume is based on all the available official and unofficial material and should prove valuable for the jurist as well as the student

**THE DEVELOPMENT OF INTERNATIONAL LAW BY THE PERMANENT COURT OF INTERNATIONAL JUSTICE** By **H LAUTERPACHT** New York Longmans, 1934, 120 p \$2 00

A series of lectures delivered at Geneva which give a clear and competent survey of the Court's practice and tendency.

**CRITERIA OF CAPACITY FOR INDEPENDENCE.** BY WALTER H. RITSCHER. Jerusalem: Syrian Orphanage Press, 1934, 152 p.

A technical study, in the series of the American University of Beirut. The author examines the criteria set up in the case of Iraq, the Philippines and India, and also those applied in questions of recognition and membership in the League.

**ALGUNOS APUNTES SOBRE LOS TRATADOS.** BY PEDRO ITRIAGO-CHACIN. Caracas: Tipografía Americana, 1934, 331 p.

A general analysis of treaties and their types, as illustrated chiefly by treaties concluded by Venezuela.

**DER VORBEHALT BEIM ABSCHLUSS VÖLKERRECHTLICHE VERTRÄGE.** BY U. SCHEIDTMANN. Berlin: Verlag für Staatswissenschaft, 1934, 80 p. M. 4.80.

A scholarly monograph re-examining the vexed problem of reservations in international treaties.

### *General: Economic*

**THE GREAT DEPRESSION.** BY LIONEL C. ROBBINS. New York: Macmillan, 1934, 252 p. \$3.50.

A professor at the University of London comments on the main features of the slump and refutes many current notions of its causes. His own interpretation follows the Austrian trade-cycle school.

**THE FINANCIERS AND THE NATION.** BY THOMAS JOHNSTON. London: Methuen, 1934, 218 p. 5/.

Another indictment of the machinations of financiers, with a plea for public control of credit.

**FASCISM AND SOCIAL REVOLUTION.** BY PALME DUTT. New York: International Publishers, 1934, 307 p. \$2.25.

A well-written though not always critical exposition of the Marx-Lenin thesis, by the editor of the *Labour Monthly*.

**MONEY AND A CHANGING CIVILIZATION.** BY M. A. ABRAMS. London: Lane, 1934, 127 p. 2/6.

A concise formulation of the Austrian theory of the trade cycle and over-investment as the underlying cause of the depression.

**THE RISE AND FALL OF THE GOLD STANDARD.** BY SIR CHARLES M. WEBB. New York: Macmillan, 1934, 187 p. \$1.50.

A semi-popular historical and analytical account of currency systems comprised under the term "gold standard."

**EXCHANGE CONTROL.** BY PAUL EINZIG. New York: Macmillan, 1934, 284 p. \$3.00.

In this work on the complicated systems of control that have been introduced since the war the author gives evidence that he sympathizes with the experiment and regards control as inevitable.

**THE EUROPEAN WAR DEBTS AND THEIR SETTLEMENT.** BY WILSON LLOYD. New York: Committee for the Consideration of Inter-Governmental Debts, 1934, 88 p. \$1.50.

The debts must be scaled down and paid otherwise than in gold.

**THE SECRET WAR.** BY F. C. HANIGHEN. New York: Day, 1934, 316 p. \$2.75.

A new exposé of the international struggle for oil, by one of the co-authors of "Merchants of Death." The book is generally well-informed, though somewhat sensational.

**L'EPOPEE DU PETROLE** By **ESAD BEY** Paris Payot, 1934, 320 p Fr 20  
A highly dramatized treatment of the same subject

*International Relations of the United States*

**NEW FRONTIERS** By **HENRY A WALLACE** New York Reynal and Hitchcock, 1934, 314 p \$2 00  
One of the most authoritative and interesting presentations of the aims and ideals of the New Deal, written by the Secretary of Agriculture

**THE CHALLENGE TO LIBERTY** By **HERBERT HOOVER** New York Scribner, 1934, 212 p \$1 75  
The former President's challenge to the New Deal

**THE DECLINE OF AMERICAN CAPITALISM** By **LEWIS COREY** New York Covici Friede, 1934, 622 p \$4 00

Really a long and detailed study of Marxian economics pointing to the conclusion that production for use and not profit is the only solution for our problem

**CHALLENGE TO THE NEW DEAL** Edited by **ALFRED M BINGHAM** AND **SELDEN RODMAN** New York Falcon Press, 1934, 294 p \$2 50

The New Deal criticized by some thirty five writers who advance a program for a more radical solution

**L'AMERICA AL BIVIO** By **A RUGGIERO** Turin Einaudi, 1934, 136 p L. 8

A most interesting foreign discussion of the main issues in the American crisis

**L'ECONOMIE DIRIGÉE DE 1929 A 1934 AUX ÉTATS-UNIS** By **J BROSSARD** Paris Domat Montchretien, 1934 Fr 20

A competent foreign account of the economic developments since the crisis of five years ago

**GOVERNMENT OPERATED ENTERPRISES IN THE PANAMA CANAL ZONE.** By **MARSHALL E DIMOCK** Chicago University of Chicago Press, 1934, 248 p \$2 50

A most timely study of the government in business The investigation here recorded was undertaken at the suggestion of the Secretary of War, and is of the greater importance because in the Canal Zone various forms of control by government agencies can be analyzed and appraised In the concluding chapter, the author offers criticisms and recommendations of decided interest at a time when government control is so widely discussed.

**AMERICAN CONSULTATION IN WORLD AFFAIRS** By **RUSSELL M COOPER** New York Macmillan, 1934, 403 p \$3 50

A thorough, documented monograph on a subject that has been much and loosely discussed but which has not been adequately studied The author is concerned with the position of the United States in relation to the peace machinery He discusses the subject of consultation in its larger aspects, and analyzes in detail what happened in connection with the Sino-Russian dispute of 1929, the Chaco conflict, the Sino-Japanese crisis and the Leticia dispute

**POLICY OF THE UNITED STATES TOWARD MARITIME COMMERCE IN WAR** By **CARLTON SAVAGE** Washington Government Printing Office, 1934, 537 p \$1 25

The first volume of an extended study, published by the Division of Research of the State Department. The period covered runs from 1776 to 1914 The book takes up the familiar problems of enemy goods in neutral ships, neutral goods in enemy ships contraband of war, continuous voyage, blockade and immunity of private property, in

their historical development. Fully one quarter of the volume is devoted to official documents, on which the text is based.

**AMERICAN POLICY TOWARD CHINA.** By WEN HWAN MA. Shanghai: Kelly and Walsh, 1934, 292 p.

A well-documented historical study, based largely upon the debates in Congress.

### *The World War*

**DIE INTERNATIONALEN BEZIEHUNGEN IM ZEITALTER DES IMPERIALISMUS.** Series II, v. VI. Berlin: Hopping, 1934, 391 p. M. 45.

This latest volume of the official publication of Russian documents covers the period from August 4, 1914, to November 1, 1914. It is full of valuable material on Russian relations with Turkey, Italy and the Balkans.

**LES ARMÉES FRANÇAISES DANS LA GRANDE GUERRE.** v. VIII, part II. Paris: Imprimerie Nationale, 1934, Fr. 550.

The latest volume of the French official history. It covers the Balkan campaign from the intervention of Rumania to the eve of the 1918 offensive.

**A HISTORY OF THE WORLD WAR.** By B. H. LIDDELL HART. Toronto: Ryerson Press, 1934, 635 p. \$2.50.

A readable general account, embodying, of course, the author's well-known views on orthodox strategy.

**DIE MILITÄRISCHEN PROBLEME UNSERES KRIEGSBEGINNES.** By M. FREIHERR VON FITTREICH. Vienna: Author, 1934, 236 p. Sch. 7.

A careful study by a former Austrian staff officer, throwing a sad light on the carelessness and unpreparedness of the Austrians in the hour of crisis.

**IL PRIMO ANNO DI GUERRA.** By C. GELOSO. Milan: Corbaccio, 1934, 400 p. L. 12.

A thorough study of the first year of Italy's war.

**WIE HINDENBURG DIE RUSSEN SCHLUG.** By R. VON WERT. Berlin: Ullstein, 1934, 273 p. M. 2.85.

An important study of the Tannenberg campaign, based upon all available German and much Russian material.

**LA BATTAGLIA D'ARRESTO SULL'ALTOPIANO DI ASIAGO.** By P. SCHIARIN. Rome: Ministero della Guerra, 1934, 117 p. L. 5.

Part of the Italian official history of the war.

**FACE AUX TURCS.** By HENRI FEUILLE. Paris: Payot, 1934, 224 p. Fr. 20.

An important French account of the Gallipoli campaign.

**LA GUERRA MARITIMA D'ITALIA.** By G. PO. Milan: Corbaccio, 1934, 400 p. L. 12.

A competent and thorough study of the war in the Adriatic, which has already been so much written about in Italy.

**LA GUERRE SOUS-MARINE AU COMMERCE.** By J. LOUVARD. Paris: Sirey, 1934, 172 p. Fr. 25.

Not so much a narrative of submarine warfare as a study of its permissibility in international law.

**THE FIRST WAR IN THE AIR.** By R. H. KIERNAN. London: Davies, 1934, 192 p. 5/.

A popular story of the war in the air, chiefly on the western front. Rather uneven and acrappy, though well-informed.

*Western Europe*

**FREEDOM VERSUS ORGANIZATION** By BERTRAND RUSSELL New York Norton, 1934, 479 p \$3 50

A brilliant and provocative essay on European history from 1815 to 1914

**A SHORT HISTORY OF OUR TIMES** By J A SPENDER London Cassell, 1934, 348 p 10/6

A general text, written from the liberal standpoint, fair minded and impartial

**UNE NOUVELLE PHASE DE LA LUTTE POUR L'ÉQUILIBRE EUROPÉEN** By EDOUARD BENEŠ Prague Orbis, 1934, 62 p Fr 5

One of the discerning periodic analyses of the European scene by the Czechoslovak Foreign Minister

**THESE HURRYING YEARS** By GERALD HEARD New York Oxford University Press, 1934, 371 p \$3 00

A narrative of events since 1900, stressing the psychological changes, but rather weak on the interpretative side

**RETREAT FROM GLORY** By R H BRUCE LOCKHART New York Putnam, 1934, 348 p \$3 00

Those who have read Lockhart's first book will enjoy this volume of impressions and experiences in Central Europe since the war

**BEHIND THE FRONT PAGE** By WILBUR FORREST New York Appleton, 1934, 358 p \$2 50

The experiences, in various parts of the world, of a well known American journalist

**A SHORT HISTORY OF SWEDEN** By RAGNAR SVANSTRÖM AND CARL PALM STIERNA New York Oxford University Press, 1934, 443 p \$5 00

The work of two Swedish scholars, this is an admirable general survey, written especially for the English-speaking world

**DANMARKS POLITISKE HISTORIE FRA FREDEN I KIEL TIL VORE DAGE** By P ENGELSTOFF AND F WENDT Copenhagen Gyldendal, 1934, 485 p Kr 15

A useful general manual on the political history of modern Denmark

**ALBERT I, ROI DES BELGES** By L. DUMONT WILDEN Paris Grasset, 1934, 300 p Fr 20

One of the best general biographies, written by a prominent French political commentator

**QUESTA FRANCIA** By V GORRESIO Milan Agnelli, 1934, 273 p L 12

Keen observations on French conditions, by an Italian journalist

**LE COMMERCE EXTÉRIEUR DE LA FRANCE** By JULIEN DURAND Paris Comité Parlementaire du Commerce, 1934, 72 p Fr 10

A former French minister of commerce analyzes the crisis in foreign trade and suggests ways and means to mitigate it

**HISTOIRE DE LA MARINE FRANÇAISE ILLUSTRÉE** By CHARLES DE LA RONCIÈRE AND G CLERCAMPAL Paris Larousse, 1934, 408 p Fr 110

A much needed and authoritative general history of the French navy

**THE HISTORY OF SPAIN** By LOUIS BERTRAND AND SIR CHARLES PETRIE New York Appleton, 1934, 564 p \$4 00

A translation and extension of a well known and very stimulating French history of Spain The narrative runs to the revolution of 1931

**CATALUNYA I LEUROPÀ FUTURA** By ALEJANDRO DENLOFEU Barcelona Nagsa, 1934, 300 p Pes 6

A restatement of the ideals and aims of the Catalonian party



**LE PORTUGAL ET SON CHEF.** By A. FERRO-SALAZAR. Paris: Grasset, 1934, 335 p.

Primarily a study of the financial reconstruction carried through by Oliveira Salazar.

**ORIGINI E DOTTRINA DEL FASCISMO.** By GIOVANNI GENTILE. Rome: Istituto Nazionale Fascista, 1934, 193 p.

A concise statement, by the principal intellectual leader of the Fascist movement.

**LA LEÇON DE MUSSOLINI.** By HENRY MASSOUL. Paris: Mercure de France, 1934, Fr. 15.

A critical study of Fascism from 1921 to the present day.

**DAS ITALIENISCHE STAATSRECHT.** By C. BORNHAK. Leipzig: Deichert, 1934, 181 p. M. 3.60.

The Fascist constitution analyzed by a German writer on constitutional history.

**ESPERIENZA CORPORATIVA.** By G. BOTTAL. Florence: Vallecchi, 1934, 723 p. L. 35.

An exhaustive historical treatment of the corporative system in Italy, covering the years 1924-1934, by the former Minister of Corporations.

**I FRANCESI ALLE PORTE D'ITALIA.** By C. PETTINATO. Milan: Bompiani, 1934, 320 p. L. 10.

A review of the Franco-Italian problem.

**BRIEFE ZUR DEUTSCHEN POLITIK IN ÖSTERREICH.** By PAUL MOLISCH. Vienna: Braumüller, 1934, 395 p. M. 13.

A valuable collection of documentary material bearing on the German-Austrian problem between 1848 and 1918, on which the writer is preparing a large critical work.

**A SOVIET WRITER LOOKS AT VIENNA.** By ILYA EHRENBURG. London: Lawrence, 1934, 47 p. 6d.

A brief sketch of the February conflict, together with sharp criticism of the Social Democratic organization.

**DER BÜRGERKRIEG IN ÖSTERREICH.** By JULIUS DEUTSCH. Carlsbad: Graphia, 1934.

The same subject treated by a prominent socialist participator, now in exile.

**DIE NEUE ÖSTERREICHISCHE VERFASSUNG.** By O. ENDER. Vienna: Österreichische Bundesverlag, 1934, 131 p. M. 2.

A survey of the chief provisions of the revised constitution.

**DEUTSCHE GESCHICHTE VON BISMARCK BIS HITLER.** By HEINRICH SCHNEE. Paderborn: Schöningh, 1934, 228 p. M. 4.80.

A popular narrative by a well-known German colonial administrator, stressing particularly the constructive work of the Hitler régime.

**HINDENBURG. BRIEFE, REDEN, BERICHTE.** By FRITZ ENDRES. Ebenhausen: Langewiesche, 1934, 196 p. M. 2.40.

A collection of papers compiled by a close associate of the late President.

**HINDENBURG.** By F. HARTUNG. Leipzig: Reclam, 1934, 70 p. Pf. 35.

A popular but competent sketch, by a noted German historian.

**DER KRIEGSSCHULDARTIKEL.** By H. M. BEHEIM-SCHWARZBACH. Berlin: Dümmler, 1934, 107 p. M. 6.

An exhaustive scholarly analysis of Article 231 of the Versailles Treaty, its origins, implications, etc.

**VOM KAISERHOF ZUR REICHSKANZLEI.** By JOSEPH GOEBBELS. Munich: Eher, 1934, 308 p. M. 4.50.

The Nazi revolution described by the Minister of Propaganda.

**FASCHISMUS UND NAZIONAL-SOZIALISMUS** By ERNST SCHREWE Hamburg Hanseatische Verlagsanstalt, 1934

Primarily a history and analysis of Fascism, followed by a stimulating chapter comparing it with its German counterpart

**SOZIALPOLITIK IM NEUEN STAAT** By W. SCHUMANN AND L. BRUCKER Berlin Rink und Krause 1934 557 p. M. 12

An exhaustive discussion of the social problem by two outstanding leaders of the *Arbeitsfront*

**FASCIST GERMANY EXPLAINS** By CELIA STRACHEY AND JOHN G. WERNER New York Covici Friede, 1934, 135 p. \$1.25

By collating statements made by Nazi leaders the authors make out a striking contrast between what they say and what they do

**STRONG MAN RULES** By GEORGE N. SCHUSTER New York Appleton, 1934, 291 p. \$2.00

The author attempts an interpretation of the rise and victory of the Nazi movement and of its policies while in power. He does not take liberal ideology as an unquestionable starting point, but makes a real effort to understand the failure of liberalism in Germany and to explain the evolution of the mentality that moves a large part of the German people today

**THE REICHSTAG FIRE TRIAL** London Lane, 1934 376 p. 7/6

The second Brown Book of the Hitler terror. It goes over the now familiar ground of the trial without adding much to the accepted anti-Nazi view

**HITLER'S OFFICIAL PROGRAMME AND ITS FUNDAMENTAL IDEAS** By GOTTFRIED FEDER London Allen and Unwin, 1934 125 p. 2/6

A needed English translation of the programmatic writings of Feder, which Hitler admits to have greatly influenced him

**THE OTHER GERMANY** By GORDON BOLITHO New York Appleton, 1934, 286 p. \$3.00

A picture of present-day student life at Heidelberg

**HITLER'S WONDERLAND** By MICHAEL FRY Toronto Musson, 1934, 216 p. \$1.75

A defense of Nazism, except for its persecutions

**AFTER HITLER'S FALL** By PRINCE HOBERTUS LOEWENSTEIN London Faber, 1934, 281 p. 7/6

An idealist's forecast of a new Holy Empire based on tolerance, justice and enlightenment and equally removed from Nazism and Communism

**THE SECRET OF HITLER'S VICTORY** By PETER PETROFF AND IRMA PETROFF London Hogarth, 1934, 138 p. 3/6

The social-democratic view. The authors analyze the reasons why democratic forces were unable to stem the tide. Good but not novel

**DAS DRITTE REICH IM SPIEGEL DER WELTPRESSE** By K. BOMER Leipzig Amanen Verlag, 1934, 173 p. M. 3.80

Material to show the Germans how they have been maligned in a systematic press campaign of denigration

**LA MENACE ALLEMANDE** By ANDRÉ CHEVRILLON Paris Plon, 1934, Fr. 12

A well known critic writes on the Pan German menace, past and present.

**LA HAINE BRUNE** By C. MICHAELIS, HEINZ MICHAELIS AND W. SOMIN Paris: Lipschutz, 1934, Fr. 20

A sensational exposé, with photographs and reproductions of documents

**BEITRÄGE ZUR DEUTSCHEN POLITIK UND WIRTSCHAFT.** By GEORG SOLMSEN. Munich: Duncker und Humboldt, 1934, 2 v. M. 19.

A valuable collection of speeches and essays of the war and post-war periods, by a prominent German financier.

**GERMAN COMMERCIAL POLICY.** By WILHELM RÖPKE. New York: Longmans, 1934, 86 p. \$2.00.

A series of lectures delivered at Geneva. The author, a competent authority on the subject, gives a general review of German tariff policy in the last fifty years and discusses the pros and cons of protection and control.

**DAS HEILIGE NEIN.** By G. AHLEMANN. Berlin: Elsner, 1934, 341 p. M. 6.

A review of the German case for arms equality, with reference to the development of the problem since 1919.

**GERMANY'S SECRET ARMAMENTS.** By HELMUT KLOTZ. London: Jarrolds, 1934, 190 p. 5/.

An exposé, by a writer hostile to the present régime.

**THE SAAR AND THE FRANCO-GERMAN PROBLEM.** By B. T. REYNOLDS. London: Arnold, 1934, 279 p. 7/6.

A sane analysis of the whole situation, written by a British officer long stationed on the Rhine.

**THE SAAR STRUGGLE.** By MICHAEL T. FLORINSKY. New York: Macmillan, 1934, 191 p. \$2.00.

The most complete survey of the Saar problem in English, though not quite as scholarly as one would have liked.

**DIE GRUNDLAGEN DES SAARKAMPFES.** Edited by ADOLF GRABOWSKY AND GEORG SANTE. Berlin: Heymanns, 1934, 394 p.

A collection of authoritative essays on all aspects of the Saar problem, to be taken as a reliable guide to the German view.

**LA REGION INDUSTRIELLE SARROISE.** By CAPOT-REY. Paris: Berger-Levrault, 1934, 640 p. Fr. 90.

An exhaustive scientific study of the Saar basin as an industrial unit.

### *Eastern Europe*

**POLITICKÉ DĚJINY ČESKOSLOVENSKÉHO NÁRODA.** By ZDENĚK TOBOLKA. Prague: Československý Kompas, 1934, 3 v. Kč. 146.

A monumental political history of the Czechoslovaks from 1848 to 1914.

**BOJ O MÍR A BEZPEČNOST STÁTU.** By EDVARD BENEŠ. Prague: Orbis, 1934, 833 p. Kč. 96.

Speeches and essays on international affairs between 1924 and 1933, forming an indispensable supplement to Beneš's memoirs.

**ČESKOSLOVENSKÝ PRESIDENT REPUBLIKY.** By EMIL SOBOTA, Jaroslav Vorel and others. Prague: Orbis, 1934, 453 p. Kč. 70.

The evolution of the presidency in the time of Masaryk, by a group of writers who have been associated with him.

**THE TREATY OF TRIANON AND EUROPEAN PEACE.** By COUNT STEPHEN BETHLEN. New York: Longmans, 1934, 200 p. \$3.50.

Another eloquent plea for revision, by the former Prime Minister.

**POLEN, LEGENDE UND WIRKLICHKEIT.** By FRIEDRICH SIEBURG. Frankfurt: Societäts-Verlag, 1934, 62 p.

An unsparing sketch of present conditions, by a clever *Frankfurter Zeitung* writer.

**THE ECONOMIC INDEPENDENCE OF POLAND** By PAUL F DOUGLASS Cincinnati Ruter, 1934, 134 p \$2 00

A careful study, based in large measure on Polish materials, analyzing especially the problems of trade adjustment confronted by the new state

**KOMMENTAR DER KONVENTION ÜBER DAS MEMELGEBIET** By JACOB ROBINSON Kaunas Spaudos Fondas, 1934, 2 v

Two huge volumes, analyzing in the most minute detail the history, provisions and working of the convention of May 8, 1924

**DIALECTICAL MATERIALISM** By V ADORATSKY New York International Publishers, 1934, 96 p 50 cents

A concise exposition of the Marxian doctrine as interpreted by Lenin and his followers, by the head of the Marx Engels Institute

**THE BOLSHEVIK REVOLUTION** By JAMES BUNYAN AND H H FISHER Stanford University Stanford University Press, 1934, 735 p \$6 00

The latest publication of the Hoover War Library A welcome collection of source materials on the great revolution

**THE OCTOBER REVOLUTION** By JOSEPH STALIN New York International Publishers, 1934, 168 p \$1 00

Articles and speeches by the present Russian dictator

**RUSSIA'S IRON AGE** By WILLIAM H CHAMBERLAIN Boston Little, Brown, 1934, 400 p \$4 00

One of the best known American writers on Russian affairs surveys the great industrial strides recently made by the Soviets, but asks the pertinent question What price?

**I WORKED FOR THE SOVIETS** By COUNTESS ALEXANDRA TOLSTOY New Haven Yale University Press, 1934, 261 p \$3 00

The revealing experiences of Tolstoy's youngest daughter, who tried, without success, to adapt herself to the new order

**LE CAPITAL ÉTRANGER EN RUSSIE** By A CRIHAN Paris Librairie Général de Droit, 1934, Fr 35

A juristic study of foreign investments under the Bolshevik system

**VERKEHRSGEOGRAPHIE VON RUSSISCH ASIEN** By E THIEL Königsberg Ost Europa Verlag, 1934, 324 p M 12

A meritorious pioneer study of the transportation and communication system of Siberia

**SECRETS OF SIBERIA** By PIERRE DOMINIQUE London Hutchinson, 1934, 288 p 10/6

The translation of a most depressing picture of conditions in western Siberia and Turkestan, by a French journalist

**THE BOLSHEVIKS DISCOVER SIBERIA** By S BESBORODOV London Lawrence, 1934, 131 p 2/

The very antithesis to the foregoing A Bolshevik account of the aims of the Tsarist régime and of the Bolshevik achievement

**A HISTORY OF THE ROUMANIANS** By R W SETON WATSON New York Macmillan, 1934, 604 p \$7 00

Far and away the best history in English The author is one of the best informed students of Balkan problems, and his work always is carefully done and thoroughly documented In the discussion of the more modern period he is very critical of Austrian policy, perhaps too much so, but on this subject there is much room for difference of opinion The book is a useful addition to the English literature on one of the most important states of the new Eastern Europe

**THE STORY OF MY LIFE.** BY QUEEN MARIE OF RUMANIA. New York: Scribner, 1934, 629 p. \$4.00.

This autobiography, covering the period to the war, is well written and interesting.

**ORIZONTURILE MELE.** BY N. IORGA. Bucharest: Stroilă, 1934, 3 v. Lei 300.

The autobiography of the eminent Rumanian historian and former Prime Minister.

### *The British Commonwealth of Nations*

**MODERN ENGLAND, 1885-1932.** BY SIR J. A. R. MARRIOTT. London: Methuen, 1934, 551 p. 16/.

The last volume in a large series. A fairly good account of constitutional and imperial developments, but otherwise rather drab.

**LA GRANDE BRETAGNE.** BY LOUIS CAZAMIAN. Paris: Didier, 1934, Fr. 30.

An outstanding book on modern England, written by an expert in the field of English literature.

**CONSULTATION AND CO-OPERATION IN THE BRITISH COMMONWEALTH.** COMPILED BY GERALD E. H. PALMER. New York: Oxford University Press, 1934, 264 p. \$5.00.

The book contains a long introductory historical account by Professor Keith, the rest being a purely descriptive study of the methods of consultation as they now exist.

**IMPERIAL ECONOMY AND ITS PLACE IN THE FORMATION OF ECONOMIC DOCTRINE.** BY C. R. FAY. New York: Oxford University Press, 1934, 151 p. \$2.25.

A series of lectures by a Canadian authority, giving in brief scope one of the best historical surveys of the economic development of the British Empire.

**WAR MEMOIRS OF DAVID LLOYD GEORGE.** v. III. Boston: Little, Brown, 1934, 582 p. \$4.00.

This instructive volume of the famous statesman's memoirs is concerned largely with his premiership in the year 1917 and deals at length with the urgent problems of shipping, food supply, man-power and the submarine menace, to say nothing of questions of strategy and war organization. Lloyd George manages to put up an excellent defense of his policy, and writes in his usual lively and challenging style.

**AN AUTOBIOGRAPHY.** BY VISCOUNT SNOWDEN. v. I. London: Nicholson, 1934, 534 p. 21/.

This first volume tells the story of Snowden's early struggles and activities and carries on through the period of the World War. It is of obvious value as a contribution to the history of the Labor Party.

**THE NAVAL MEMOIRS OF SIR ROGER KEYES.** London: Butterworth, 1934, 538 p. 21/.

A volume which throws light on the British submarine service as well as upon the naval aspects of the Dardanelles campaign.

**BRITAIN'S POLITICAL FUTURE.** BY LORD ALLEN OF HURTHWOOD. New York: Longmans, 1934, 192 p. \$3.20.

How Britain is to get a New Deal through democratic leadership and without violence.

**THE LIFE OF LORD CARSON.** BY IAN COLVIN. v. II. London: Gollancz, 1934, 446 p. 15/.

Part of an important contribution to the history of the Irish question in our times.

**THE IRISH FREE STATE.** BY NICHOLAS MANSENGH. New York: Macmillan, 1934, 344 p. \$4.75.

A competent analysis of the government and politics of the Free State.

**LA RIVOLUZIONE D'IRLANDA** By NICOLA PASCAZIO Rome Nuova Europa, 1934, 260 p L. 12

An able foreign survey, dealing chiefly with the development of the Irish problem since the establishment of the Free State

**THE CAMBRIDGE SHORTER HISTORY OF INDIA** By J. ALLAN, SIR WOLSELEY HAIG AND H. H. DODWELL. New York Macmillan, 1934, 989 p. \$4.00.

For the average reader this will undoubtedly prove to be the best general survey of Indian history from the beginnings to the present. The writers are all experts in their field and attempt to make easily available the scholarship that has gone into the larger "Cambridge History of India."

**THE TRAGEDY OF GANDHI** By G. BOLTON London Allen and Unwin, 1934, 326 p 10/6

A popular biography, written with sympathy and fairness if not with a great deal of discernment

**INDUSTRIAL POLICY OF INDIA** By CHANDULAL VAKIL AND M. C. MUNSHI New York Longmans, 1934, 283 p \$3.75

An outline, with discussion of the present situation in its national and international aspects

### *The Near East*

**A BOSPORUS ADVENTURE** By MARY MILLS PATRICK Stanford University Stanford University Press, 1934, 293 p \$2.25

Primarily a history of the Woman's College at Constantinople by a former president, but at the same time a survey of Turkish conditions in the last fifty years

**KAMAL MAKER OF MODERN TURKEY** By ALI SHAH IKBAL London Joseph, 1934, 297 p 15/

An interesting appraisal of the Turkish dictator, by a well known Persian writer

**THE SECRET KINGDOM** By BEN JAMES New York Reynal and Hitchcock, 1934, 295 p \$2.75

A not profound but interesting narrative of a journey to Afghanistan

**DIE EUROPAISIERUNG DES ORIENTS** By HANS KOHN Berlin Schocken, 1934, 356 p M. 6

Another interesting survey of conditions and changes in the Near and Middle East. The book is not technical, but supplies an excellent discussion of the impact of European culture and methods upon peoples whose habits were essentially static

**LA FRANCIA IN SIRIA** By A. ARMELLINI Lanciano Carabba, 1934, 264 p L. 9

A general critical survey of French policy and achievement

**SELF GOVERNMENT OF THE JEWS IN PALESTINE SINCE 1900** By MOSHÉ BURSTEIN New York Bloch, 1934, 298 p \$2.00

A well-documented study of the subject which should be of help to those interested in the organization and functioning of the Jewish agencies and communal groups

**HAMATSAV HA-CALCALI BE-EREZ ISRAEL** By M. NEMIROVSKY AND W. PREUSS Tel Aviv Davar, 1934, 228 p

A study of the industrial and agricultural development of Palestine which has resulted from the influx of immigrants and foreign capital

**SEFER HASHANA SHE'EL EREZ-ISRAEL** Edited by F. LACHOVER Tel-Aviv Hapoel Hazair, 1934, 394 p

An exhaustive account of the political, economic and cultural progress of Palestine in 1933

*Africa*

**AFRICA. A SOCIAL, ECONOMIC AND POLITICAL GEOGRAPHY OF ITS MAJOR REGIONS.** BY WALTER FITZGERALD. London: Methuen, 1934, 462 p. 16/.

An advanced text of high quality.

**DEUTSCHE SCHUTZGEBIETE UNTER MANDATSHERRSCHAFT.** BY L. SCHOEN. Berlin: Börsenzeitung, 1934, 87 p. Pf. 75.

The author treats the economic development of the former colonies since the war.

**THE ANGLO-EGYPTIAN SUDAN.** BY SIR HAROLD MACMICHAEL. London: Faber, 1934, 280 p. 15/.

Primarily an analysis of administration and post-war problems in the Sudan. A valuable book.

**THE WINNING OF THE SUDAN.** BY PIERRE CRABITÈS. Toronto: Musson, 1934, 280 p. \$4.00.

A good history of the reconquest, followed by some discussion of present problems, by an American judge of the Cairo Mixed Tribunal.

**NYASALAND WITHOUT PREJUDICE.** BY L. S. NORMAN. London: East Africa, 1934, 186 p. 5/.

A description of the country and its peoples, by a competent observer.

**NATIVE POLICY IN SOUTHERN AFRICA.** BY IROR L. EVANS. New York: Macmillan, 1934, 177 p. \$2.00.

A reliable summary of conditions and policies in the region south of the Zambezi.

*The Far East*

**PROBLEMS OF THE PACIFIC, 1933.** EDITED BY BRUNO LASKER AND W. L. HOLLAND. Chicago: University of Chicago Press, 1934, 506 p. \$5.00.

The proceedings of the Fifth Conference on Pacific Relations.

**STORM CLOUDS OVER ASIA.** BY ROBERT S. PICKENS. New York: Funk and Wagnalls, 1934, 261 p. \$1.50.

An introduction to the problems of the Far East that is well worth reading. The author, an Associated Press correspondent, is thoroughly familiar with the field and writes with warmth and strong conviction. What he has to say of the Philippine problem and of Japanese militarism is particularly timely.

**KRIEG ENTBRANNT AM PAZIFIK.** BY W. SORGE. Berlin: Scherl, 1934, 228 p. M. 3.50.

Another alarmist account of the Far Eastern tension, by a German observer who spent the last three years there.

**L'INDO-CHINE D'AUTREFOIS ET D'AUJOURD'HUI.** BY J. B. ALBERTI. Paris: Société d'Éditions Géographiques, 1934, 835 p. Fr. 50.

An encyclopaedic authoritative work on Indo-China.

**TURKESTAN REUNION.** BY ELEANOR H. LATTIMORE. New York: Day, 1934, 308 p. \$2.75.

Letters of travel in Chinese Turkestan and neighboring regions by the wife of a well-known explorer of Mongolia.

**CHINA YEAR-BOOK.** EDITED BY H. G. W. WOODHEAD. Chicago: University of Chicago Press, 1934, 854 p. \$12.50.

This new number of a well-known manual will require no special introduction.

**CONFUCIANISM AND MODERN CHINA.** BY REGINALD F. JOHNSTON. Toronto: Ryerson, 1934, 272 p. \$1.50.

A series of lectures by a man long tutor to the present Emperor of Manchukuo. He stresses the lasting values of Confucianism and expresses optimism as to its future.

**UNDERSTAND THE CHINESE** By WILLIAM MARTIN. London: Methuen, 1934, 265 p. 7/6

By the late foreign editor of the *Journal de Genève*. A lucid account, but marred by unreasoning hostility to the Japanese and to the activities of the Europeans in China.

**FUNDAMENTAL LAWS OF THE CHINESE SOVIET REPUBLIC** New York: International Publishers, 1934, 87 p. 75 cents

A useful collection, throwing some light on the obscure communist government of western China.

**THE CHINESE SOVIETS** By VICTOR A. YAKHONTOFF. New York: Coward McCann, 1934, 310 p. \$2.75

Probably the best general account of the Soviet experiment in China. Based largely on Russian material and written by a competent observer of Chinese affairs.

**SUPPRESSING COMMUNIST BANDITRY IN CHINA** Edited by TANG LEANG-LI. Shanghai: China United Press, 1934, 110 p. \$3.00

The first volume of a new series, 'China To-Day'. A systematic account of the development of communism in China and the progress of the Nanking government in suppressing it.

**ONE S COMPANY** By PETER FLEMING. New York: Scribner, 1934, 319 p. \$2.75

A contemporary picture of conditions in Manchukuo and China, by the ruthlessly frank correspondent of the *London Times*.

**MANCHOUKUO YEARBOOK, 1934** Tokyo: East Asiatic Economic Investigation Bureau, 1934, 882 p. 12 yen

A new edition of what used to be the 'Manchuria Year Book.' Though a Japanese publication, it will be useful for the wealth of material it contains.

**JAPAN'S ADVANCE** By JAMES A. B. SCHERER. New York: Stechert, 1934, 347 p. \$3.50

An enthusiastic account of the industrial and general economic progress of Japan, with some discussion of political relations with England and the United States.

**JAPAN IN CRISIS** By HARRY E. WILDES. New York: Macmillan, 1934, 300 p. \$2.00

May well be read in connection with the preceding. The author, who has had much experience in the Far East, exposes the seamy side of the Japanese situation.

**POPULATION THEORIES AND THEIR APPLICATION** By E. F. PENROSE. Stanford University: Food Research Institute, 1934, 347 p. \$3.50

A scholarly investigation dealing almost entirely with the population problem of Japan in connection with possible industrialization, emigration, expansion, etc.

### *Latin America*

**SOUTH AMERICAN PROGRESS** By CLARENCE HARING. Cambridge: Harvard University Press, 1934, 230 p. \$2.50

A series of Lowell Lectures, reviewing the fundamental natural and racial factors in Latin America as well as political and economic developments.

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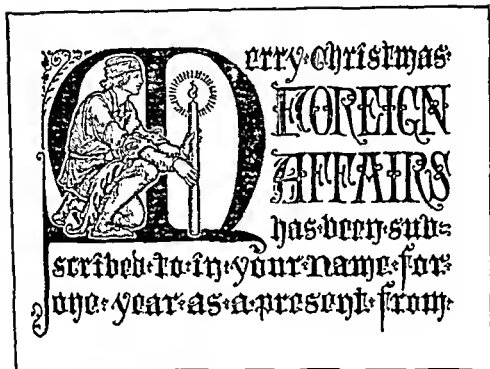
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The Editors



# FOREIGN AFFAIRS

Vol. 13

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No. 3

## BRITAIN AND AMERICA

THE PROSPECTS OF POLITICAL COÖPERATION IN THE  
LIGHT OF THEIR PARAMOUNT INTERESTS

*By Walter Lippmann*

THE contributions of Sir Austen Chamberlain and of Mr. John W. Davis to "The Foreign Policy of the Powers"<sup>1</sup> present a curious contrast. The underlying assumptions and the general implications of Sir Austen's paper are that British policy is governed by clearly defined principles which promote the immediate security of the Empire and the general peace of the world. Mr. Davis, on the other hand, takes the view that America's policy because of a failure to "join the concert of nations" is no longer "adequate to preserve her peace and insure her prosperity." I should like to raise the question whether this very assumption, that the British policy is adequate and the American inadequate, is not today a serious obstacle to a meeting of minds and to the practice of coöperation by the English-speaking peoples. I believe it is. I believe that the accepted idea that America is "isolationist" and that Great Britain is a member in good standing of a concert of the Powers is an illusion which masks and then distorts the relations between Britain and America.

### 1

The ideal of Anglo-American coöperation to preserve the peace of the world is supported by certain general considerations. As between Britain and America there are no disputed frontiers. There are no disputed spheres of influence in Asia, Africa, or the Americas. There is commercial rivalry in certain parts of the

<sup>1</sup> Published for the Council on Foreign Relations by Harper and Brothers (New York, 1935). The essays by Sir Austen Chamberlain and John W. Davis appeared originally in *FOREIGN AFFAIRS*, Vol. 9, No. 4, and Vol. 10, No. 1.

world but it does not have and does not threaten to have any serious political consequences. For neither government thinks that it could or should advance its commercial interests by political expansion and both are well aware that political stability and equal opportunity in Asia, South America and continental Europe would be more profitable than a régime of special privileges.

Neither government is interested in extending its empire. Not only does neither covet the possessions of the other, but neither covets the possessions of any other Power. In fact, both are going through a process of contracting their imperial responsibilities. The United States is withdrawing from the Philippines. It has renounced whatever ambitions it may ever have entertained to convert the Monroe Doctrine into an instrument for the domination of Latin America. It is seeking to disentangle itself from the internal affairs of the Central American countries and of the Caribbean archipelago. A corresponding process of imperial devolution is under way in the British Empire — in the recognition of the increasing autonomy of the Dominions, in the progress towards self government in Egypt and India.

It may be said, I think, that in both countries the controlling view as to empire is that they must see to it that, as the dependent peoples become independent, they do not through weakness and misgovernment become the prey of other imperial Powers. To be sure, there are in both countries some who regard empire as profitable because it provides special privileges. But I think it is a correct reading of the facts to say that imperialism of this kind would have no decisive influence with British or American opinion today were it clearly established that the emancipated nations could really maintain their independence.

The United States has promised to leave the Philippines though there are few Americans who do not believe that eventually the Filipinos will fall under Japanese domination. The United States would undoubtedly resist today, as it has in the past, any European or Asiatic conquest or political penetration in the Western hemisphere. It would resist it, however, not to obtain the conquest for itself, but to avert the political entanglements of a new foreign imperialism close at hand. British imperial policy appears to be inspired by much the same view. In Egypt, the Near East, and in India, it is not the profits of empire but the fear of other imperial ambitions which causes the British to relax

their hold so cautiously. Were it not for the conviction that Germany, Italy, Russia, and Japan are expanding empires, the British would be far readier to contract their empire and take the risks of self-government by the dependent peoples.

Thus Britain and America do have fundamentally the same outlook on world politics. They are not rivals. They are both concerned about the rise of imperial Powers which have ambitions that cannot be satisfied except by a profound disturbance of the existing political constitution of the world. When to this underlying community of interest there is added community of speech and tradition, it is but natural to ask why Britain and America do not stand together more effectively than they do in order to protect themselves and to preserve the peace.

## II

The answer to that question is to be found, I think, by noting that while the vital interests of the two Powers are not in conflict, while in general their outlook and the desiderata of their policies are the same, their most immediately pressing needs are not identical. Because their interests are so nearly alike and yet are not identical, there is much misunderstanding due to false expectations and consequent disappointments. Their vital interests have different foci. They are threatened in different degree from different quarters. The result is that the paramount interests of one Power are only secondary interests of the other. And it is this difference in importance that makes difficult a coöperative diplomacy.

Thus the most vital of all British interests is the independence of the Low Countries. "Their frontiers," says Sir Austen, "are in fact our frontiers, their independence the condition of our independence, their safety inseparable from our own." It was to defend this interest, he adds, that Britain fought Spain in the Sixteenth Century, Napoleon in the Nineteenth Century, and Germany in the Twentieth. It was to defend this interest that Britain has been drawn out of her island isolation to guarantee the neutrality of Belgium, to undertake the commitments of Locarno, to make Mr. Stanley Baldwin's declaration of July 30, 1934, that "when you think of the defense of England, you no longer think of the chalk cliffs of Dover; you think of the Rhine," and more recently to renew the entente with France.

The British interest in European peace is focussed primarily

upon this projection of her frontier into the Low Countries and the Rhineland. The American interest in European peace is obviously more generalized. Whereas Britain would and must engage all her forces to defend her strategic frontier in the Low Countries, it is not possible to imagine the United States making any such engagement. For the vital center of the American defense lies in another part of the world, at the Panama Canal and the approaches to the Canal. When British publicists chide the United States for its political "isolation" they usually forget that while their frontiers are in the Low Countries and the Rhine, the American frontier is on two oceans connected somewhat precariously by the Canal.

The fact that the paramount American interest is geographically so remote from the paramount British interest is sufficient to explain why the United States does not take the position of an equal partner with Great Britain in maintaining the *status quo* in Western Europe. This is now the radical difficulty of American adherence to the League. Whether it would have existed had the United States joined the League in 1920 is a question that men will differ over for a long time to come. The Covenant imposes equal obligations on all its members. But all its members do not have equal interests in all the vital matters with which the League is concerned. For a small Power this conflict between obligation and interest is not so important because not much would be expected of a small Power when it was not directly interested. But so lenient a view of its obligations would not be taken towards a great Power, and intuitively the American nation has felt this.

American opposition to membership in the League has grown stronger as the demonstration has become more conclusive that the primary concern of the League is European peace and that European peace is for the time being identified with the maintenance of the *status quo*. A disinterested membership in the League would be theoretically possible for America on the assumption that the existing frontiers of Europe were as acceptable to all concerned as are the existing frontiers between Canada and the United States. It would be theoretically possible also on the assumption of a general agreement to modify the frontiers. But in view of the fact that peace in Europe today has become identified with the maintenance of the *status quo* by superior force, the United States, when it participated in European politics, would have to choose either to enter an implied alliance with the domi-

nant coalition or to become a disturber of the peace, such as it is, by encouraging the revisionist Powers and discouraging the coalition. This would be a dangerous entanglement in the literal sense of that ancient but pregnant phrase, and its dangers would be even less pleasant to contemplate because they had been incurred in a region where the immediate vital interests of America are not at stake. Let any Briton who thinks that this is a selfish calculation ask himself what British policy would be if by some miracle of geographic change the Straits of Dover were not twenty-one miles wide but three thousand miles wide. If he has any doubts about what the answer would be, he can find a clue to it in the foreign policy of Canada and Australia.

Next in importance to the defense of the homeland comes the defense of the British line of communications with India and the Dominions of Australia and New Zealand. This interest, as Sir Austen points out, is the primary explanation of the British concern with Egypt, Palestine, Iraq and Persia. Now it is also an American interest that British sea power should have assured access to the Pacific Ocean. But the route which passes Gibraltar and Malta, the Grecian archipelago and the Dardanelles, Suez, Arabia, the Persian Gulf, on the way to India, to Singapore and to Hong Kong is strategically inaccessible to American sea power and is obviously a British concern, not an American. The American equivalent of this British route to the East has as its focal points the Panama Canal, Hawaii, Guam, Alaska, and the Philippines.

In the Pacific and in Eastern Asia the similarity, without identity, of the British and American interests has been made very plain. Great Britain has a large economic interest in China whereas America has a relatively small one. The British, being primarily engaged in Europe, until the Washington Conference of 1921 defended their Chinese interests by an alliance with Japan. The American interest in the Far East is primarily one of concern with the growth of the Japanese imperial power. It has been defended in the past by supporting the independence and integrity of China and by the recognition of Russia as a Great Power in Eastern Asia. America, in other words, has sought for security in the Pacific by a policy which is very much like Britain's traditional method of insuring her security in Europe. She has endeavored to create a balance of powers which would restrain the Japanese and the Russians and other imperial powers

as the British sought to restrain first the French and then the Germans. In Europe, the British policy has been sublimated and generalized at Geneva and Locarno, in Asia, the American policy has been sublimated and generalized in the Washington Treaties.

The Manchurian affair put the "collective system" to a test and the test showed that France and Britain were not prepared to uphold it outside the region of their primary interests. Their specific and vital interests in Europe prevented them from acting on behalf of their general and secondary interests in Eastern Asia. When the collective system was tested in 1931-1932, it worked precisely as Americans feared it would work. Relying upon it, the United States took a position in Asia which left it exposed, without support, and embarrassed. Britain and France held back in Asia just as the United States would hold back in Europe when faced with a similar aggression against the collective system.

### III

In the light of actual experience it no longer makes much sense to discuss Anglo American relations in such stereotyped phrases as "American isolation" and British internationalism. In the Manchurian affair, which touches the long term vital interests of the United States, American policy was not in the least isolationist. The American Government was quite prepared to play a leading part, in fact more than an equal part, in a collective system dealing with a region that is of great importance in the future of the world. Britain and France were the isolationist Powers in that affair, and it was their guarantee not ours which could not be depended upon.

While recrimination can serve no purpose, the moral of the experience is clear and understanding will be promoted by recognizing it candidly. American isolation is one of the optical illusions of the present era. American policy is conditioned by its vital interests just as is British policy. Thus America is isolationist as to continental Europe, but it has never been and is not now isolationist in the region of the Caribbean or the Pacific Ocean. The British ardor for the League is a reflection of British interest in British security, the lack of British ardor for the collective system in the Far East is a reflection of a greater concern with European security. So it is with us. President Harding who was elected in 1920 as a result of a rebellion against the League



signed a whole series of treaties in 1922 which applied the League's principles to the Orient. In 1931 Secretary Stimson stood forth as the protagonist of League principles and Sir John Simon did not.

It is for these reasons that I suggested at the beginning of this article that it is misleading and promotes misunderstanding to discuss Anglo-American relations on the assumption that Britain is actuated by a greater sense of international obligation than is the United States. The policies of the two countries are conditioned by the fact that they are subject in unequal degree to the pressure of widely separated emergent imperial Powers. If Japan were Germany or Germany were Japan, a single collective system would easily bring Britain and America into active coöperation and an equal partnership.

An understanding of the difficulty of coöperation is not in itself, of course, a solution of the difficulty. But it is the necessary preliminary to a search for a solution in that it tends to remove misunderstandings based not upon realities but upon illusions. Until those illusions are cleared away, Americans dealing with Britons will feel themselves unjustly accused of a selfish isolation and will feel moreover that the accusation is hypocritical. Americans under the spell of this illusion, will continue to make promises in Europe that American opinion will not ratify. Britons, seeing this, will feel that America is utterly undependable, and will be tempted to make engagements elsewhere which, if consummated, would destroy all possibility of Anglo-American coöperation.

#### IV

It would seem that the first step in the development of Anglo-American political coöperation must be a clearer definition of British policy in the region of its primary interests, which is Europe, and of American policy in the region of its primary interest, which is the Pacific. For both countries this would seem to require a reconsideration of certain traditional policies.

The traditional British method of obtaining security as against continental Europe is to keep the command of the sea and use it to maintain a balance of power as between continental armies. Today, however, the actual situation does not fit the traditional formula. In narrow waters the aeroplane and the submarine are a threat to sea power such as it has not known for centuries. On

the continent France is at last a satisfied Power Germany, on the other hand, is unmistakably an unsatisfied Power. Thus Britain is no longer certain that she can command the sea, she is no longer impregnable to invasion At the same time she cannot promote her security by attempting to hold evenly a balance of power between a strong France which shares the British interest in the *status quo* and a potentially stronger Germany which menaces the *status quo*

What position Britain will eventually take in respect to Europe, it is impossible now to predict But to American eyes it appears that the British people have not yet taken a definite position, that they are deeply divided in their own minds as to what position to take, that they do not really know whether to seek their security by the traditional method of the balance of power as between France and Germany, under the form of the League, or to seek security by alliances It is this very uncertainty of the British attitude which makes very difficult any sort of effective American cooperation to maintain peace If the British policy is to be based on the balance of power, American cooperation would involve a more intimate and continuing concern in European politics than can reasonably be expected If the British policy is one of alliances, it is clearly out of the question for America to join the alliance or to be part of a system in which it was outside the alliance Above all, as long as the security of Europe is so uncertain, either British policy is likely to keep Britain so much engaged in Europe that it cannot be depended upon for any effective cooperation under the collective system in any other part of the world

In respect to the Pacific and Eastern Asia, the United States finds itself in a quandary which is not unlike that of Britain in Europe The traditional method of promoting American security has been to maintain a balance of power The Washington Treaties sought to stabilize this policy under the forms of a collective system But the balance of power does not exist Russia is preoccupied in her European territory China is in the midst of a prolonged revolution which prevents her from protecting effectively her own independence and integrity Britain and the other European Powers cannot assume responsibilities in the Far East This leaves the United States in a position where it alone is capable of offering genuine opposition to the Japanese advance

The United States is, therefore, forced to reconsider her whole Far Eastern policy on the assumption that China, Russia, and the European Powers cannot or will not oppose the growth of the Japanese imperialism. What Asiatic policy the United States can and should adopt is no more clear to Americans than a continental policy is clear to the British. But it is clear that this very uncertainty makes it difficult for Britain to coöperate with America in the Pacific and will preclude America to the exclusion of any responsible action in Europe.

## V

It should perhaps be said in order to avoid misapprehension that when I speak of coöperation I mean effective action, which in diplomacy always involves ultimately the risk of war, and not merely consultation, observation, and negotiation undertaken with the reservation that it would fail, nothing further shall be done. Whatever else happens in Anglo American relations, they should not be poisoned by deceptive promises that cannot be made good in a crisis which may be vital to the one nation or to the other. It may be that conditions are such that for the time being Britain must clarify her policy in Europe and America her policy in the Pacific on the assumption that neither can expect, in the sense in which I have just defined it, the coöperation of the other. It may be, too, that when this clarification of their respective policies has taken place, each will have reduced the risks in the sphere of its primary interests sufficiently to liberate it for dependable coöperation with the other in the sphere of its secondary interests. This is to say that until Britain has settled the European question and feels secure in Europe, it will play no effective rôle in Asia, and until America has settled the Asiatic question and feels secure in the Pacific, it will play no effective part in Europe.

For while both nations sincerely desire peace both in Europe and in Asia, the defense of their own vital interests compels them to concentrate their energies. They are unable at present, I believe, though I regret it, to coöperate politically where coöperation implies or involves the risk of war in the widely separated spheres of their paramount interests. To recognize this is not to rule out coöperation. It is to direct it to the field where it is possible. Obviously, there is nothing in the situation which I have described to prevent coöperation in economic affairs. There are

difficulties here, too, but they are not such deep difficulties as lie in political coöperation. It is, therefore, towards currency stabilization, the removal of barriers to trade, and the promotion of commerce that the impulse to coöperate can best be directed. There it can find work to do. There good will can find expression in good works. There the habit of coöperation can be confirmed until, under other political conditions, it can be broadened into a common policy for the maintenance of peace.

# SOCIAL SECURITY HERE AND ABROAD

*By Frances Perkins*

IT CAME as a distinct shock to many of us when President Roosevelt some time ago commented on the fact that in providing security for the mass of the people the United States is some twenty-five years behind most of Europe. A country which has always prided itself on the high standard of living among its working people was disconcerted to learn that other nations had gone much further along the road of assuring their people the maintenance of a decent standard of living in both good times and bad. The depression had no doubt brought home to many the realization that high wages and economic security are by no means synonymous. But it was not generally realized — perhaps it is hardly yet grasped in its full import — that in Europe, in spite of the long drawn out severity of the depression, under the protection of social insurance measures the people have suffered much less severely, both in numbers and degree, than have our own workers.

That even in times of apparent prosperity we had an appalling amount of suffering and destitution due to the lack of protection against the ordinary hazards of life can be seen from the fact that there was a steadily growing need for public and private charity, for social welfare work, and for immense "drives" by community chests and individual organizations. Actually it is estimated that in 1929, at the height of our most glittering prosperity, there were at least 2,000,000 unemployed in the United States and hundreds of thousands incapacitated by industrial or other accidents, of whom the great majority were eventually compelled to seek some form of charitable aid. Had this country had some or all of the social security measures in vogue in Europe, most of these people would have been tided over their period of misfortune by financial assistance due them as a matter of contractual right, for which provision had been made during normal earning years.

There are two questions which rather naturally arise. In the first place, why does the United States, which has always been counted as highly progressive, now suddenly find herself the only large industrial country without adequate social security legislation? Secondly, if other countries have already had such legisla-

tion in operation for 25 years or more, why is it not possible to pick out the most successful system as a model, and set up a similar one here without delay?

There are several logical reasons why the United States has been slow to recognize the principle of social insurance — the principle that, "in order to advance the prosperity of a nation as a whole, and to conserve its vital forces, it is better that a misfortune falling on an individual should be distributed and borne lightly by the whole community, rather than that the individual should be crushed by the weight of his own misfortune."

In a new and pioneer country like the United States, with its unlimited natural resources and unexplored frontiers, there appeared to be abundance for all. Labor was scarce and the rewards were high. The emphasis naturally tended to be on individualism rather than on cooperation for the common good. As long as opportunity was more or less unlimited, people felt that a man's failure to provide adequately for himself was probably due largely to his own fault, and that no responsibility lay on the rest of the community to do anything about it except possibly as a matter of charity. Furthermore, they felt that it was an individual matter rather than one which affected society as a whole.

It was not until misfortune became more general that the truth was driven home that a man might indeed be the victim of circumstances far beyond his control, and that, in the closely woven fabric of modern life, the misfortune of one group might have a very real and direct bearing on the welfare of the whole society. Recognition of this fact by the older nations of Europe lay at the very heart of their theory of social insurance and of their legislation putting it into effect. It has taken the trials and misfortunes of the great depression to bring it home clearly to this country.

Not that it is an entirely new idea here. For years many have foreseen the eventual need of social insurance in America. But they have been as voices crying in the wilderness. Successful social legislation, like any other legislation, can only be the result of a definite demand by the people themselves. Pioneer efforts along these lines were unable to make headway against certain beliefs which were firmly entrenched.

For one thing, it was believed that with high wages the worker himself should and would be able to make provision against the hazards and vicissitudes of life to which he or his family might

fall victim. Protective labor legislation was directed largely towards the maintenance of minimum standards of living. This was of course highly valuable in times of normal employment, but did not cover a gap of prolonged unemployment such as we have had to face in recent years.

Again, in those states where the idea of social security had gained ground, the competitive nature of interstate commerce placed an effective damper on any action. Each state hesitated to be the first to adopt social legislation for fear that the cost would place its industry at a disadvantage with regard to that of its neighboring states. Thus it was that in the progressive state of Wisconsin it took twenty years of continuous effort to place on the statute books the first unemployment compensation act ever passed in the United States. And in order to place the industrialists of Wisconsin at as little disadvantage as possible the sponsors of the legislation found it necessary to compromise on an extremely modest beginning.

It is also true that in the United States, just as had been the case previously abroad, social insurance has had to overcome the opposition of industry and of the ultra-conservative interests which saw in it only a burden of additional taxation.

Such, briefly, were some of the reasons for the coolness with which the United States formerly regarded the idea of social security legislation. But the events of the past few years have brought about a decided reversal of opinion. In the face of a depression of unprecedented length and severity, men have found accustomed ground slipping from under their feet and have looked about desperately for some rock to which to cling. They have seen that the foreign worker is coming through the years of depression with improved health and higher standards of living, and that the credit is due in large measure to the protection which has been his through social insurance. Industrialists, too, have been impressed by the testimony of their British brethren, who have been converted from bitter opposition to unemployment insurance to cordial support through a recognition of its stabilizing influence, particularly in maintaining home industries and a steady minimum of production. As an influence in preventing social unrest, its value is thoroughly appreciated — not only in England but in every country which has adopted it.

But though there has been a definite change in American sentiment, that does not mean that the problem before us is an easy

one President Roosevelt, who has been for many years an advocate of social security measures, recognized this when last summer he appointed the Committee on Economic Security to make a comprehensive study of the whole question and present to him recommendations on which a sound legislative program might be formulated. Evidently, while the United States can benefit by the lessons which others have learned slowly and painfully through trial and error, in the last analysis the system which she works out will be peculiarly an American one and adapted to special American conditions and requirements. No other country, for instance, has a form of government like ours, involving as it does special constitutional questions which directly affect the form legislation must take. Again, in no single European country is there to be found such a striking variation in the standard and cost of living as exists, let us say, between that of the agricultural laborer in the warm South and the highly skilled mechanic or craftsman in one of our cold Northern industrial cities. Thus although Great Britain's system is admittedly the most successful, the flat rate of contributions and benefits which is suitable to her closely knit and homogenous people would obviously not be the one best adapted to our needs.

Furthermore, in spite of years of experimentation, the systems in effect abroad are still slowly evolving. There is not one which could be claimed to have crystallized into final and permanent form. It is of the essence of social security legislation that to be successful it must adapt itself not only to national characteristics and racial requirements but to changing economic conditions.

Commercial insurance is based on risks which can be predicted with almost complete accuracy. But while the incidence of old age, accident and ill health are measurable, unemployment, which is one of the most important risks involved in social insurance, depends on economic conditions which even the most conservative would admit have been of an extremely unpredictable nature in the past half century or more. While no country (except Russia) which has once adopted this type of legislation has ever given it up, all of them have continually changed and improved their methods. The systems differ in detail. But it will be seen that in general their trend is similar, and that the movement is constantly towards a broader measure of security for the low-income groups.



## II. IN FRANCE

The French problem has differed from that of Great Britain and Germany, countries where the industrial population predominates. In France, agriculture and industry are more or less evenly balanced and until recently the unemployment problem had never been acute. Hence, provision against the effects of unemployment has played a minor part in the development of French social legislation. On the other hand, concern over the decreasing birth rate shows itself in the provisions made for maternal care, in the birth bonuses and in the family allowances, all of them designed to encourage large families.

Historically speaking, France can claim to have been a pioneer in the field, having set up in 1673 a system of compulsory old age insurance for her seamen, a system which has continued practically without interruption down to the present time. Actually, she was slow in developing a coördinate system, partly because workers were protected against many hazards through the friendly and mutual benefit societies which were encouraged and subsidized by the state. It was not until after she had won back Alsace and Lorraine that she found herself in a situation which demanded action. The people of these provinces had been enjoying the benefits of the German system of health insurance and old age pensions, and it was obviously not feasible either to deprive them of these popular measures or to leave them in a position which would arouse the jealousy of the rest of the country. Hence, after many years of discussion, France in 1930 adopted a fairly comprehensive social insurance act, which does not, however, include any compulsory unemployment insurance. It applies to nearly 9,000,000 workers, and provides old age insurance, cash and medical benefits during illness and invalidity, maternity and death benefits, and medical care for the family of the insured.

The system is compulsory and contributory, one contribution covering all the risks and expenses. The employer and the employee pay an equal amount, the wage earner's share being paid by the employer and then deducted from his wages, and the fund is supplemented by grants from the state. It applies to the wage earner whose income does not exceed approximately \$600 to \$700 a year, depending on the locality in which he lives, but the amount of the exemption is raised for each child, so that a worker

earning approximately \$1,000, but with more than 3 children, would still come under the law, although to safeguard the employment of parents of large families the amount of his contribution would be calculated on the lower amount. He pays no contribution if he loses his job, but the government makes good both his and the employer's contribution during the first four months he is out of work. Due to the unexpectedly large increase in unemployment this provision today involves a deficit of nearly 4 billion francs in the French budget.

Pensions amounting to 40 percent of the average annual wage are granted at the age of 60 to workers who have been employed for 30 years. A worker who wishes to retire at 55 can do so by accepting a lower pension, and it also will be decreased for those who during the transitional period reach the age of 60 before they have been able to make their 30 years' contributions. A worker who has brought three children up to the age of 16 is entitled to an increased pension. On reaching the eligible age, he may also, if he wishes, receive a lump sum instead of an annual pension, on condition that he uses it to buy a homestead. His widow and orphan are entitled to a cash benefit of 20 percent of his average annual wage and if he leaves 3 or more young children they are entitled to a minimum of 100 francs a year each until they reach the age of 16.

If the workman or his wife or children should fall ill, he is entitled to from 80 to 85 percent of the cost of medical treatment, and if he himself is sick for more than 4 days he is entitled to a cash allowance ranging from 3 to 18 francs a day according to his wage class. Maternity and nursing allowances are also granted to insured workers and workers' wives.

French unemployment aid has been handled in the past by trade unions or mutual aid associations, which since 1906 have received government subsidies proportionate to the financial assistance they have rendered. This subsidy was formerly fixed at 33 to 40 percent of the benefits, depending on the size of the association, for a maximum benefit period of 120 days (later extended to 180) and was reimbursed to the organization after the benefits were paid. But so heavy did the demand on the funds become, due to increasing unemployment, that in the spring of 1932 it became necessary to increase the subsidies to 60 percent on benefits paid out during 10 percent of the possible working days, to 70 percent on benefits paid out during more than 10

percent but less than 20 percent of the possible working days; to 80 percent on benefits paid out during more than 20 percent but less than 30 percent of the possible working days; and 90 percent on benefits paid out for more than 30 percent of the possible working days. In addition, it was provided that the association could secure advances from the state rather than wait for reimbursements from benefits paid. The present rate of benefits is 7 francs per day for the unemployed head of a family; for the spouse and dependents over 16 years of age, 4 francs; for persons under 16 years of age dependent upon the head of the house and not working (or if working, earning less than 4 francs per day), 3.50 francs. The maximum total allowance amounts to 19 francs, which however is increased from 1 to 4 francs according to the number of dependent children in excess of two. The total daily family allowance may in no case, however, exceed one-half of the average ordinary wage of the district and the regular family allowance. If unemployment lasts longer than 180 days the worker then receives aid from small offices run by the municipalities, which are also subsidized.

It is this question of extending aid to the unemployed worker beyond the period to which his contributions have entitled him which is proving the most difficult in every social insurance program. If the fundamental principles of insurance are to be maintained, there must obviously be a direct relation of benefits to contributions. On the other hand, it is equally obvious that if the benefits to which he is entitled are exhausted before work can be found for him, the worker must in some way be provided for. The British Government is still struggling to find a proper solution to this problem; in fact, it has recently announced that after only a month's trial its latest scheme of supplementary unemployment insurance is to be abandoned as unsatisfactory, necessitating some new arrangement to care for those who are no longer entitled to insurance benefits.

### III. IN GREAT BRITAIN

The British unemployment insurance system was started in 1911 as part of a comprehensive program of social legislation which emphasized old age pensions and health insurance. The plan, which applied to only about  $2\frac{1}{4}$  million workers in specified trades, was a compulsory contributory one with weekly contributions of  $2\frac{1}{2}d.$  each from the employer and the employee and  $1\frac{3}{4}d.$

from the exchequer, and benefits of 7 shillings (approximately \$1 70) a week

The plan was launched at the beginning of a period of unusual prosperity, followed by four years of war during which there was practically no unemployment. The result was that in November 1918 the fund had an undistributed balance of £15,000,000 — almost \$80,000,000 — although it had in the meantime been extended to cover workers engaged in war industries. Not only did the rapid demobilization of war industries naturally place a heavy drain on the fund, but in 1920 the system was extended to cover practically all workers except those engaged in agriculture or domestic service. Contributions were raised, but the benefits were also increased, being 15s (\$3 6s) for men and 12s (\$2 9s) for women, limited to 15 weeks' benefit in any insurance year. Unfortunately, 1920 marked the beginning of a period of post-war depression which caused the number of totally unemployed to increase with great rapidity in a few months from some 500,000 to over 2,000,000, plus another 1,000,000 only partially employed.

It had been one of the provisions of the act of 1920 that the insured worker should be eligible for benefits only after the payment of 26 (later changed to 30) weekly contributions. But as unemployment rapidly increased it was seen that it would be impossible for those recently brought into the system to fulfill this requirement. In the emergency the British Government decided on a step which, while it abandoned temporarily at least the insurance principle, avoided some of the more disagreeable features of relief. By a system of so-called uncovenanted benefits, aid was extended to any unemployed person genuinely seeking work, regardless of whether he had built up the required number of contributions, or even made any. It was this system of "uncovenanted" or "transitional" benefits which started the use of the term "dole," which was later unfortunately applied to the whole system.

Owing to the long duration of the depression, the emergency or transitional period lasted very much longer than had been anticipated, and the insurance fund was piling up a debt which by October 1934 amounted to over £105,000,000. In the meantime, by the amendment of June, 1934, the whole system was drastically reorganized, a sharp distinction being made between the payment of contractual unemployment insurance benefits on the one hand, and the provision of unemployment assistance and relief on the

other. Provision has been made for repayment to the Treasury of money borrowed for these transitional benefits. Repayment is to be made in half-yearly instalments of £2,500,000 each, which, it is anticipated, will fully wipe out the debt in less than 40 years. Thus the insurance fund is once more placed on an actuarially sound basis, but at the same time it is burdened with the repayment of money which, according to some opinions, might properly have been charged to relief.

Provision for old age has been an important part of the British system of social insurance since 1908, when a plan of free old age pensions was started. Pensions of 5s. a week were granted to indigent old people of 70 or more who had an income of less than £31.10s. a year (approximately \$2.92 a week). This sum was doubled in 1920, and granted to persons with an income up to \$4.66 a week. At present, pensions vary with the income of the pensioner, in computing which certain deductions are allowable under a "thrift" clause. In addition, contributory pensions for workers, covering the ages from 65 to 70, have been set up in connection with the compulsory national health insurance system.

To make for simplification, health and pension contributions are paid weekly in the form of a single stamp. For a man the total contribution is 1s. 6d. (36 cents) per week, half being paid by the worker and half by the employer; of this, half represents the contribution for health insurance and half the contribution for old-age, widows', and orphans' pensions. For a woman the total contribution is 1s. 1d. (26 cents) per week, 7d. (14 cents) being paid by the employer and 6d. (12 cents) by the worker; of this 4½d. (9 cents) represents the contribution for pension and the balance the payment for health insurance. In addition to the funds so collected, the sum of £4,000,000 (\$19,466,000) is paid annually from the National Exchequer. This annual grant has been made for a period of 10 years, beginning 1926-27, thereafter to be determined by Parliament.

The amount of the pension benefit is 10s. (\$2.43) per week. Widows' pensions amount to 10s. per week, to which is added 5s. (\$1.22) allowance per week for the eldest child and 3s. (73 cents) per week for each other child. Full orphans of an insured parent or insured parents are entitled to 7s. 6d. (\$1.83) each per week up to the age of 14 years (or 16 if attending school). The health insurance program provides not only medical benefits but cash allow-

ances to the worker and a maternity benefit to his wife of \$9 73, or in the case of an insured wife \$19 47

#### IV IN GERMANY

It was in 1889 that Germany led the social security movement by establishing a system of health and old age insurance for her workers, but it was not till 1927 that she adopted compulsory unemployment insurance. At the present time two kinds of benefit are provided — ordinary contractual benefits, paid for by contributions, and emergency benefits for those who have drawn emergency benefit to the limit, paid for out of the surplus of the insurance not used for ordinary benefits and a special government tax. In addition there is a supplementary system of local poor relief, to which the central government contributes direct grants proportionate to individual local government requirements.

The compulsory system applies, with certain exceptions, to workers earning less than 3,600 marks a year, and to salaried employees earning not more than 8,400 marks. The 6½ percent rate of contribution, of which the employer and employee each pay half, is based on 11 different wage levels (in actual practice, 6). To be eligible for benefit for the first time, an insured worker must have paid contributions for 52 weeks out of the 2 years preceding his application, and for 26 weeks during the 12 months immediately preceding a second application.

Benefits formerly ranged from 75 percent of the standard wage for those in the lowest wage class to 35 percent in the highest, but in 1932 as an economy measure three scales were introduced, based on the cost of living in various sized communities. Due also to the economic stress of the past years, the period for ordinary benefit has been reduced from a total of 52 weeks to 14 weeks. Then the worker is subject to a strict means test, and if he has no means of support and can be given no assistance by relatives he receives extended benefits. Of these need, rather than time, is the limiting factor.

The system is almost self supporting. For the fiscal year ending March 31, 1934, contributions of wage and salary earners and of employers were approximately 1,000,000,000 marks, appropriations by the German Government for the welfare relief of communities were approximately 400,000,000 marks, appropriations by the local governments and municipalities were approximately 600,000,000 marks, and the yield from a special "crisis" tax was

approximately 500,000,000 marks. The regular and extended benefits are paid out of the funds made up from the premiums paid on account of the insured and the crisis tax, while the welfare relief is provided for from governmental appropriations, federal, municipal, and local.

Some 18,000,000 people in Germany are covered by the combined old age and invalidity insurance system. This calls for contributions, also graduated by wage groups, equally by wage earners and by employers. Small tradespeople and others not included in the system are permitted to participate voluntarily, on payment of the whole contribution. Weekly contributions range from 30 pfennig in the lowest wage group to 2 marks in the highest. The benefits paid include invalidity, old age and survivors' benefit, and certain free medical treatment. The old age pension begins at 65 and varies with the number and amount of contributions, 20 percent of all contributions paid being added to the minimum of 156 marks a year, of which 72 marks represent the state subsidy.

#### V. THE AMERICAN PROGRAM

While there can be little weight to the argument that the United States cannot afford to adopt social insurance, when so many other countries much poorer than she maintain such comprehensive systems, the American program has been framed with due regard to our present economic conditions. The legislative proposals before Congress as this is written represent a modest, sound beginning, on which we can build by degrees as circumstances warrant. We do not expect to achieve perfection at once. It is to be expected that the progress of social insurance here, as elsewhere, will be evolutionary. In the course of time, with experience, and as conditions change, alterations and improvements will undoubtedly be made.

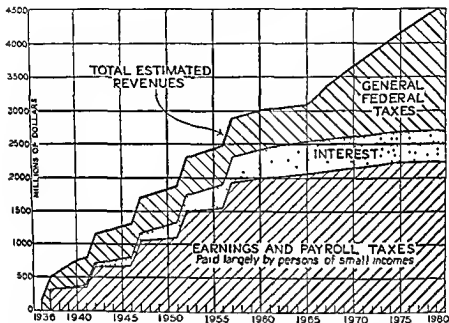
The Administration does not entertain the illusion that social insurance is a cure for all our ills. For instance, unemployment compensation alone evidently cannot solve our present unemployment problem. For this reason the Committee on Economic Security emphasized that at the present time the major contribution of the Federal Government towards security should be the provision of work for those now unemployed.

The unemployment compensation plan proposed in the Wagner-Lewis-Doughton Bill, now under consideration by Congress,

will be financially self-sustaining and will provide limited benefits on a strict contractual basis. It may be described as a cooperative system between the Federal and State Governments. It proposes a federal payroll tax on all employers throughout the country who employ four or more employees, to come into operation on Janu-

ESTIMATED REVENUES, BY SOURCES FOR OLD AGE SECURITY PROGRAM

1936-1980



This chart illustrates the sources of the revenues for the contributory annuity system and the Federal grants in-aid to the states. The section "Earnings and Payroll Taxes" represents a tax of 1 percent on all payrolls from 1937 through 1941, 2 percent from 1942 through 1946, 3 percent from 1947 through 1951, 4 percent from 1952 through 1956, and 5 percent thereafter. This tax is shared equally by employers and workers. The section marked "Interest" represents interest on the reserve fund which is built up gradually and is held constant from 1965 on. The section "General Federal Taxes" represents the contribution of the Federal Government to the state old age pensions and to the contributory annuity system. The increase in the amount of Federal taxes after 1965 is due to the fact that in the early years of the plan funds are borrowed from the contributions of the younger workers to pay adequate annuities to those who have made contributions for only a short period before retirement.

ary 1, 1936. In the first two years the rate of this tax will be either 1 percent, 2 percent or 3 percent, depending upon the progress made toward economic recovery as measured by the index of production of the Federal Reserve Board. If there is no marked improvement, the rate will be only 1 percent; if there is



considerable but not complete recovery, it will be 2 percent; and if there is complete recovery, 3 percent. Beginning in 1938, the rate is to be uniformly 3 percent. A credit against this tax is to be allowed for contributions made by employers for unemployment compensation purposes under state laws setting up compulsory unemployment compensation systems. The maximum credit thus allowed is to be 90 percent of the Federal tax, the other 10 percent being in any event payable to the Federal Government, to be used for payment of the expenses of administration by the Federal and State Governments. Employers who have stabilized their employment are under certain circumstances permitted additional credits, but only after they have built up adequate reserves, and subject to continued payment of at least 1 percent into the state fund and of the 10 percent for administration.

All funds collected by the states for unemployment compensation purposes must be deposited in the United States Treasury, to be invested and liquidated by the Secretary of the Treasury. In addition, the Bill prescribes certain minimum standards which must be met by the state laws in order for employers in those states to become entitled to an offset against the Federal tax. The most important of these standards is that all moneys collected by the state must in fact be used for unemployment compensation purposes.

In all respects not specified in these standards the individual states are given complete freedom to establish any kind of unemployment compensation system they wish. They may or may not permit separate industry and plant accounts, and may or may not require employee contributions in addition to the contributions paid by the employers. They can fix their own benefit rates, waiting periods, etc. Likewise they will have direct responsibility for administration, but are required to use the public employment offices for this purpose, and to select all employees concerned with the administration of unemployment compensation on a merit basis. The fact that a uniform tax is levied removes the possibility of any one state being placed at a disadvantage in interstate commerce. At the same time the states are free to adopt legislation best suited to their own needs. The arrangement also insures the safety of all reserve funds and their use to stabilize the economic system.

Regarding old age security the proposed Bill makes three separate provisions: 1. Grants-in-aid toward meeting the costs of

pensions allowed under state laws to old people in need 2 A federal old age annuity system, compulsory and contributory, for all employed persons 3 A federally administered system of voluntary annuities, designed primarily for people of small incomes not covered by the compulsory system, administered by the Treasury Department

The federal grants in aid will match the contribution made by states to meet the cost of pensions paid to indigent old people under state laws, but the federal part of this cost is not to exceed \$15 per month in any case In addition, the Federal Government will pay one-half the costs of administration, provided they do not exceed 5 percent of the amount expended for pensions To be entitled to aid, a state must make its old age pension law conform to standards prescribed in the Bill These standards require payment of old age pensions to old people in *need*, who are citizens of the United States, who have resided within the state five years or more, and who are 65 years of age or over (with the proviso that until 1940 any state may maintain a 70-year age limit) States may grant pensions on a more liberal basis, but will not receive any federal aid unless they meet the standards

The federal old age annuity system insures all gainfully employed workers against old age It is financed by a payroll tax shared equally by workers and employers, and its administration will be placed under the Social Insurance Board

The system of voluntary annuities provided for in the Bill is designed to enable low income people who cannot be brought under the compulsory system, or who wish to supplement the annuities which they will get under this system, to purchase old age protection at cost Wide discretion is allowed regarding the conditions on which annuities are to be sold, but there is a restriction that no person may receive an annuity in excess of \$100 per month In all cases the purchasers will get an annuity based upon the exact amount of their contributions, the Federal Government will contribute only the costs of administration

The three parts of this program are complementary The federal grants in-aid for pensions paid by the states are designed to stimulate all states to enact liberal old age pension laws for the support of people now old who are in need The compulsory contributory annuity system is designed to enable younger workers, with the help of their employers, to make their own provisions for old age These annuities will be contractual and free from any

means test. Through such annuities the rapidly increasing cost of gratuitous pensions will, in the course of time, be greatly reduced. The voluntary annuities are intended as a supplement to the compulsory annuity system to give self-employed people, housewives, etc., the same opportunity to make their own provisions for old age that the employed persons are required to make.


The Bill also provides for federal grants-in-aid to states to help meet the cost of widows' pensions, and for the care of handicapped children, the extension of child and maternal health services through the Children's Bureau, and an extension of federal aid in public health services.

The total appropriations proposed in the bill amount to \$98,500,000 in the fiscal year 1936, and \$218,500,000 in subsequent years. Offsetting these appropriations, will be the receipts from taxes which are imposed in connection with unemployment compensation and old age annuities. Unemployment compensation will not involve any cost on general revenues. And for a considerable period to come the federal grants-in-aid to states for old age pensions can be borrowed from the amounts collected by the Federal Government through the system of compulsory old age annuities.

The American program for economic security follows no single pattern. It is broader than social insurance and does not attempt merely to copy a European model. It is calculated, under our American conditions, to protect our citizens from the hazards which might otherwise plunge them into destitution and dependency.

# CANADA AND THE FAR EAST

*By T*

 VER the main doorway to the Parliament Buildings in Ottawa are inscribed in stone the uninspiring words

*The wholesome sea is at her gates  
Her gates both east and west*

The developing tension in the Pacific area, however, causes thoughtful Canadians to wonder whether, so far as their western sea is concerned, the word 'wholesome' is not as inaccurate as it is unpoetic

That this tension is increasing is hardly open to question. It is equally true that it threatens to destroy the delicate system of defensive naval ratios between the three great naval Powers. Such a calamity, so far at least as the United States and Japan are concerned, would probably result in the open and avowed substitution of power for coöperative diplomacy in respect to Pacific and Far Eastern affairs. There would be one inescapable result to this — a naval race in the Pacific. There seems only one end to that kind of a race — war.

It may be argued that the picture is overdrawn, that the colors are too lurid. And yet, if the experience of the past is any guide to the possibilities of the future, materials for an Eastern conflagration have been assembling for some years. Japan, not realizing how crude her methods have appeared to others, and therefore not appreciating their reactions to those methods, complains that the rest of the world shows neither sympathy nor understanding regarding the hard necessities of her situation. She is angered and bewildered that the finger of accusation has been pointed at her in the council of the nations at Geneva merely because she has played the game according to traditional rules, which some at least of her accusers have not yet themselves abandoned. She has wrapped herself in the mantle of injured pride, stirred up the militant patriotism of her people, and driven straight forward with her plans for hegemony in the Far East.

The parallel to Germany's action in the latter nineteenth and early twentieth centuries comes at once to mind — exuberant expansion, coldly blocked by those already satisfied, resentful defiance, backed by an increasing weight of arms and directed by

a calculating and powerful military and naval clique: a defiance all the more dangerous because, while ostensibly based on reckless confidence and greed for power, it had a strong undercurrent of uncertainty and fear.

Is the United States to play the rôle of the Triple Entente in this parallel situation? There is no dogmatic answer. But it is at least safe to say that she seems determined that Eastern Asia shall not become a Japanese preserve. That the policies of the two countries have not clashed more often in the past decade is primarily due to the system of coöperative diplomacy exemplified in the Washington and London Conferences. The activist policy adopted by Japan on the Asiatic mainland, resulting in the formation of the vassal state of Manchukuo and Japan's withdrawal from the League of Nations, has, however, very definitely imperilled these arrangements.

Japan feels more and more insecure under the provisions of the naval disarmament treaties and is searching for another basis of security — equality of naval armaments with the strongest naval Powers. As one observer put it recently, "In Japan it is felt that the objective of national security will never be attained through forced disarmament, never, in fact, until the nations have renounced disarmament as an instrument of national policy." This attitude has, of course, driven home to Americans that if they are to protect their interests in the Far East they may well need all of the naval superiority which they now, by treaty, possess.

The forthcoming Naval Conference, then, is bound to be of the most vital significance for the future of the Pacific. The alternatives are clear, the lines are drawn: a collective system maintaining accepted ratios, or a race for supremacy; reliance on coöperation, or reliance on power. To Canadian observers the auguries do not seem too propitious that the choice will be for coöperation.

The preliminary conversations have broken down, and the difficulties which caused that breakdown seem likely to remain when the Conference convenes. These difficulties center around one word — a word of ominous portent in post-war history — "equality." Statesmen should know by now the power of mischief that one small word contains. The unfortunate results when it has been carelessly tossed about at European conferences should have taught them not only the inevitability of making concessions, but also the futility of forced and belated concessions after an aroused

people have seized on "equality" as a shibboleth of national honor. At the 1930 Naval Conference there was also a demand for "equality" by the United States in relation to the British Empire. That was conceded, and with it, to Japanese eyes, Anglo-Saxon supremacy was established in the Pacific. In 1935 it is Japan that demands equality and, to Anglo-Saxon eyes, Japanese supremacy in the Pacific. This, it would seem, is to be the crucial issue at the forthcoming Conference.

Behind this Japanese demand lurk fundamental political and economic difficulties. It should by now be axiomatic that no disarmament conference can succeed without a prior adjustment of such difficulties. The Washington Treaties succeeded only because an adjustment was made. The Geneva Naval Conference of 1927 failed because this was *not done*. The extent to which naval arrangements were successfully adopted in London in 1930 was due to the fact that political negotiation had paved the way. Where such prior political settlement was not possible, it failed. Now recent negotiations have emphasized, rather than removed, political and economic difficulties in the way of the forthcoming Conference. Questions of fundamental import remain unsettled — Japan's need for markets, the recognition of Manchukuo, the Japanese "Monroe Doctrine." Agree on these questions, and a naval treaty becomes, if not easy, at least possible. Fail to agree on them, and the system built up at Washington and London will collapse.

It is no answer to these fears to point out that it would be folly for the United States to fight Japan, and suicide for Japan to fight the United States. History does not show that the possibility of suicide has prevented war. Furthermore, as Arnold Toynbee has lately reminded us, "committing suicide in certain circumstances is a Japanese national tradition, and if these circumstances arise for the nation as a whole, a national act of *hara kiri* is perhaps not beyond the bounds of Japanese possibilities."

There is only one safe way through these dangers. The system of coöperative diplomacy in the Pacific, so carefully built up during the last ten years, must at almost any cost be *at least* preserved, and perhaps it must be extended.

## II

Has Canada any concern with these matters? If she has, can she play any part in the drama that is unfolding in the East, and

which will reach a turning point in the forthcoming Conference? The answer to the first question is an unqualified affirmative. The answer to the second is that in certain circumstances, as a member of the British Commonwealth and a state bordering the Pacific, her influence may be important. Her political and strategic position in the Pacific gives a clue to the policy which she is almost bound to adopt on questions which concern that area.

Canada's most important contacts with the Orient are through Japan. Canadian-Japanese relations, though not of any great and immediate significance to either country, have been characterized by lack of friction, even friendliness. Unlike their cousins in Australia and New Zealand, Canadians have until recently evinced little interest in developments in Asia. This has been due primarily to two causes: first, the major part of our Canadian population is situated east of the Rockies, and economic and sentimental considerations have caused us to face the Atlantic; second, there is a careless but none the less deep-rooted belief in Canada's inviolate security, which we have never considered as threatened by Japanese expansion. With the double-barreled protection of the British Navy and the Monroe Doctrine, and with Canada's relative inaccessibility to the armed forces of any invader, except those of a neighbor with whom the possibility of war is apt to draw smiles of amused incredulity, Canadians go about their national business with a feeling of complete unconcern.

There are, however, two qualifications which should be made in respect to this picture. One Canadian province has always felt concern about the Dominion's relations with Japan; and the others, it would seem, are beginning to.

British Columbia, the province in question, fronts the Pacific. It has a sprinkling of Japanese inhabitants and more than a sprinkling of Japanese trade. These facts have always given its inhabitants an interest, sometimes an uneasy interest, in what goes on across the waters that lap their peaceful shores. Japanese trade is welcome, but Japanese immigration is feared. Immigration questions between Canada and Japan have, however, been handled by the Federal Government with a careful regard for the susceptibilities of a proud, sensitive, and powerful neighbor. Like the United States, Canada has virtually excluded Japanese emigrants. Unlike the United States, she has done so without arousing rankling irritation because of racial discrimination. The Canadian policy, which seems so elementary in its wisdom, is

due not to any superior tolerance on the part of British Columbians, but to caution on the part of Ottawa. The Federal Government, representing a comparatively weak country, has merely been careful not to offend a powerful neighbor with whom there is a growing trade.

Two considerations, however, should prevent Canadians preening themselves on their superior handling of this immigration question. Towards China, which at the moment has neither power to harm or trade to help us, the Federal Government has shown neither courtesy nor consideration in immigration matters. The British Columbia Provincial Government, with no responsibility itself for foreign relations, has displayed in its treatment of all Asiatic inhabitants, British or non-British, a determination to discriminate which ought to be offensive enough to satisfy the most reactionary Californian. Hindus domiciled in British Columbia, though subjects of His Britannic Majesty and Canadian nationals, are by the laws of this Province not even permitted the elementary right of a British subject — the right of franchise. Fortunately, however, the provincial race patriots have not been permitted by the Federal Government to drag this country into a disagreement with Japan, that is a luxury which is permitted only in respect to China and India.

The two questions, trade and immigration, have in the past inspired what little popular interest in the Far East existed in this country — an interest just sufficient to permit the Canadian Government to maintain a Legation in Tokyo with only mild mumblings about government extravagance. This comparative indifference, however, is disappearing.

Canadians, for instance, watched with considerable concern the policy adopted by their government at Geneva in respect to Japan's Manchurian adventure and the Lytton Report. They noted with some surprise the ambiguous declaration of their representative at the Special Assembly of the League of Nations, called to consider that Report. C. H. Cahan, the Canadian Secretary of State who made this declaration, in attempting to do justice to both sides, seemed to be facing both ways. Opinion in Canada at that time was, on the whole, anxious to face only one way. Ostensibly that way was towards Geneva and the League of Nations. Actually it was towards Washington, which had made its approval of Geneva's action clear enough. This country was not deceived into believing that United States policy at the time



was inspired by anything but those national considerations which experience has taught us are the mainsprings of her actions. But instinct also teaches us that, in Far Eastern questions, we must be on the side of, if not the angels, at least the Americans. When, therefore, Canadians expressed satisfaction at the Dominion's forthright acceptance of the League Resolution of February 24, 1933, condemning Japan's actions as a violation of treaty rights, that satisfaction was due, not so much to the fact that Canada had made herself right with the League, as that Canada was no longer in danger of separating herself from American policy in the attempt to deal with the situation in the Far East.

It is not denied that this new interest in Far Eastern affairs is to some extent inspired by the genuine anxiety of a country that has been a faithful supporter of the League lest League methods should break down in their first major test. But even more is it caused by fear that the failure of this test might have two consequences which could not be viewed by any Canadian without concern: 1. Great Britain and the United States might adopt divergent policies. 2. The United States and Japan might drift into a conflict. Canadians, wrapped up in what may be illusory feelings of security, are not particularly sensitive to the changing currents of international politics. But they could hardly fail to appreciate the terrific implications for them of any such consequences of failure at Geneva.

It is almost platitudinous now to state that Canada's position becomes impossible if Great Britain and the United States drift apart on any major issue. Like many other platitudes, however, this one involves a fundamental truth. Canada is a British Dominion. She is also an American state. She cannot permit herself to be put in a position where she has to choose between these two destinies. Either choice would be fatal to her unity, indeed to her very existence as a state. Hence her uneasiness when Sir John Simon and Mr. Stimson appeared to be gazing at the Oriental scene through different glasses — an uneasiness increased by the fact that no Anglo-American divergence of policy could be more dangerous to this country than one over Japanese questions, especially if in that divergence the United Kingdom seemed to be adopting a pro-Japanese attitude. Hence, also, her profound relief when the preliminary naval discussions with the Japanese in London last autumn showed British and American policies to be substantially in accord.

## III

Already in her short history as a nation Canada has been faced by the possibility that Anglo Japanese arrangements might endanger British American relations, and has taken energetic steps to remove it. In 1921 she imposed on a reluctant, even hostile, British Government, the abrogation of the Anglo Japanese alliance. Canada's rôle in this important development in Anglo American relations has not yet been fully explained. The records are not available. But this much is clear. The British Government, even though they knew that the renewal of the alliance would receive a hostile reception in the United States, had decided to take that course. Australia and New Zealand applauded the decision. The stage, therefore, was all set when in July 1921 a new actor arrived in London to attend an Imperial Conference, Mr Arthur Meighen, the Canadian Prime Minister. Not yet having won his spurs in Imperial politics, he caused great surprise — almost a shock — to the assembled statesmen of the Empire when he, and he alone, dared to oppose a policy already decided on in Downing Street — the renewal of the Anglo Japanese alliance. The adroit manœuvring of Lloyd George, the Olympian condescension of Lord Curzon, the pugnacious anger of the Australian, Hughes, or the massive obstinacy of the New Zealander Massey, could none of them alter the decision of the Canadian Prime Minister. Taking as his text the primal necessity for the British Empire to refrain from adopting any policy that might conceivably cause political difficulty with the United States, and arguing that the renewal of the Anglo Japanese alliance had within it the seeds of just such difficulty, he imposed on a reluctant Conference the abrogation of that alliance, and made the Washington Conference possible.

In adopting this attitude, and in sticking to it, Mr Meighen was voicing the judgment of his government and the instincts of the Canadian people that, while the policies of the British Empire need not coincide with those of the United States in all respects, yet, so far as those toward Japan were concerned, they must.

Canada's insistence on this point is due to a clear realization of two things. 1. In any Japanese American conflict, her position is dangerously vulnerable. 2. If in any such conflict British policy were tied in any way to Japan's, her position would be fatal. Therefore British and American policy in respect to Japanese and

Far Eastern questions must, from the Canadian point of view, proceed along parallel lines.

A glance at the map will disclose the reason for Canada's fears for her safety in a Pacific war. The line of attack in the next great war, if the madness of men ever brings it about, is not on the ground but in the air. The danger spot in the world today is the Northern Pacific. Canada is in the aerial line of march between the United States and Japan. That is why Canadians fear for their country in any Pacific war involving Japan and the United States.

Any sustained air attack on Japan from the West could only be via Alaska. The Japanese may be assumed not to have overlooked that fact, or the corollary, that Alaska is not a very efficient American base on account of the fact that British Columbia intervenes between it and the United States proper. It does not require a professional strategist to make the obvious deductions from this set of facts. Furthermore, in case of a conflict between the two great Pacific naval Powers the bays and straits of the British Columbia coast offer an ideal refuge for submarines.

Last summer occurred an event which passed almost unnoticed in the press of this country or the United States but which to some Canadians seemed a portent. A squadron of United States army planes flew across Canada to Alaska, having secured the permission of the Canadian Government (a permission which under existing conventions could hardly be refused) not only to make the flight but to send in advance a party to establish emergency land bases. Almost at the same time, a squadron of American naval planes flew up the Pacific Coast to Alaska. Does it too much tax the imagination to suggest that both the United Kingdom High Commissioner and the Japanese Minister in Ottawa sent back dispatches to their home governments concerning these flights, with appropriate observations regarding respect for Canadian neutrality in the event of a Japanese-United States war?

Strange thoughts these, to perplex a country on whose soil no foreign foe has trod for more than one hundred and thirty years. But they well may determine Canadian policy in respect to Anglo-American-Japanese arrangements. They also prompt certain almost ironic conclusions. In the past, especially in the recent past, Canadian governments have kept a wary eye on Downing Street lest Saskatchewan farmers or Quebec lumbermen

find themselves tramping the dusty roads of Asia Minor as soldiers of the King. It may be that Downing Street now is watching with some perturbation the development of policies in the Pacific and Canada's relation thereto, lest British sailors find themselves landing at Prince Rupert to fulfill Imperial obligations in the defense of His Majesty's Canadian neutrality.

It is some comfort to think that a nation which in a crisis might consider shipments of Canadian nickel to the enemy an unneutral act, and desire to act against Canada on those grounds, might be deterred by the thought that she forms part of a mighty Empire. It would, however, be an ironic turn of the Imperial wheel if the United Kingdom declared that, in view of the risks and dangers involved, she must not only be consulted about Canada's policy towards the United States and Japan, but that, as an autonomous state within the British Empire, she must reserve the full rights of the Parliament at Westminster to decide whether, and to what extent, she should be implicated in the results of that policy.

Canadians know, however, that there is a better way of preserving neutrality than to play the part and pay the penalty of 'gallant little Belgium'. That way is, paradoxically, by abolishing the old concept of neutrality. This involves the reestablishment, and indeed the extension, of a collective system for the Pacific. Canada may be expected strongly to support this policy in international conferences and in Imperial meetings. She realizes that the larger problem of establishing security in the Pacific, and hence of avoiding war, cannot be solved except on that basis. If that larger problem be solved her own difficulties vanish, for it is improbable that she will get into any serious trouble with an Asiatic country on her own account.

The reestablishment of a collective system in the Pacific would appeal not only to Canada but also to the other members of the British Commonwealth, all of whom are committed to the collective system based on the League of Nations. It should also find us in agreement with the United States. Unfortunately, though the United States believes in a collective system for the Pacific she refuses to join the organization best adapted to organize and administer such a system.

The trouble is that Americans have been taught to think of the League as an instrument for plunging them into European mixups rather than for getting them out of Asiatic ones.

If Canadians feel strongly about this, it is because they have found no difficulty in reconciling America and Geneva. Their desire and their need to coöperate closely with the United States in international policies make them regret American insistence that such reconciliation is impossible. It is no reply to this argument to say that the League has already failed miserably in the Far East and that its utility there is ended. That is all the more reason why we should read the lesson of that failure and try again. Is war the only international occupation where a first failure is merely the signal for another effort?

But, setting aside the possibility of collective arrangements under the ægis of the League, can a solution of the Pacific problem be found in a regional collective system? Canada would, of course, strongly support this as an alternative — a renewal, extension and possibly an institutionalizing of the Nine Power Treaty. She however would undoubtedly oppose the limitation of any such arrangements to the Great Powers.

If a collective solution on this basis fails also, then old-fashioned diplomacy, bilateral arrangements and balance of power must be left to function as best they can. "Each Nation for itself and God for us all." But there need be no such failure. The problem, though as difficult as any that has faced the post-war world, is not an impossible one. Out of the maze of difficulties two facts stand out. The Anglo-Saxon states must realize Japan's special needs and interests in the Far East; Japan must realize that the collective system is in very truth "the life line of civilization." Is statesmanship so bankrupt that no settlement can be found to harmonize these points of view?

So far as Canada is concerned, one may with assurance say this. She will use whatever influence she may possess, inside and outside the Empire, as a Dominion and as a Pacific state, to force the exploration of every avenue of approach which may lead to a solution of Pacific problems based on collective and internationalist ideals. If such an exploration proves fruitless, then her policy will be to try to ensure that failure will not destroy or even weaken the close understanding and friendly coöperation between the Anglo-Saxon peoples.

# STABILIZATION WHY? HOW? WHEN?

*By Arthur W Kiddy*

**P**ROBABLY no subject provokes more divergent opinions than that of the future stabilization of currencies. Each country necessarily considers it from its own peculiar standpoint, and even within a particular country there is usually a great divergence of views with regard to the method and the time for reestablishing some kind of international standard. I shall attempt here to present the present British view with regard to the desirability of stabilization, as well as the method to be employed and the time when it should be initiated. Though the view I emphasize is the British one, I think it fair to point out that because of London's long participation in international finance it does endeavor, though not always with success, to take something more than an insular view of these matters.

Some British authorities consider the present moment ripe for international stabilization, and among these are some who insist Great Britain should promptly take a strong lead. Yet I cannot help thinking that those who dogmatize on this question do not take sufficient account of the events of the past twenty years which have led to the present monetary situation. Before we consider the question of why, how, and when there should be a stabilization of international currencies, it is desirable that we obtain a clear view of some of the changes which have resulted from the World War.

## I RETROSPECT

Before 1914 the currencies of most countries were established upon the gold standard. But Great Britain and the United States, with their free gold markets, were probably alone in fulfilling all the requirements for the smooth working of an international gold standard. Both countries were dominant in their respective spheres. Great Britain, by reason of her outstanding position as a leading creditor country and as the banker of the world, was able to maintain her position with comparatively small holdings of gold. The United States in some respects was in a less favored position and at periods was actually financed by Great Britain. Nevertheless, her natural resources and her favorable visible trade balance were so great that even when circumstances occasionally

led to heavy losses of gold her exports of goods and services quickly rectified the position.

Furthermore, before 1914 the functioning of the international gold standard was facilitated by something approaching an equilibrium in the trade of the various countries. From time to time the balance against a particular country would be sufficiently pronounced to cause a considerable efflux of gold, but this movement would quickly readjust the exchange position, since the receiving country allowed the incoming gold to function in normal fashion. These were the days when Great Britain, as banker for the world, was constantly making foreign loans to the mutual advantage of lender and borrower, and these loans undoubtedly stimulated both British and international trade.

I wish to emphasize the fact that before the war Great Britain could impose the effectiveness of the gold standard upon the world, because this fact has an important bearing upon future plans for stabilization. That power had developed during almost a century of trade activity and foreign lending which enabled Great Britain almost at any time to control exchange movements through the bank rate. Even before 1914, however, there were signs of some slight diminution in this financial supremacy, since Great Britain no longer enjoyed her former advantages in export trade. Germany and other countries had become keen competitors. Nevertheless, Great Britain's power was not seriously impaired, and at the beginning of the war her financial hold over other countries was indicated by the rush of debtor countries to make remittances to London and the consequent fall of New York exchange to an unprecedented discount in terms of sterling.

It is important likewise to remember that prior to 1914, even though the British and the United States Governments had the final word in banking legislation, the banks were not rigidly controlled by their governments and by reason of their position as custodians of liquid wealth were able to dominate monetary and financial policies.

How great a change was wrought in these conditions by the World War has not even yet been fully realized or understood. Were it otherwise, we should have had more intelligent action on the part of all countries concerned. By reason of profits obtained during the war and the terms on which the Allies were financed during 1917-1919, the United States changed from a

debtor into the world's leading creditor *Per contra* Great Britain, after parting with most of her gold to the United States during the war and selling her American securities, became a debtor country. This change was further emphasized later on by numerous defaults on her holdings of foreign loans.

Neither country, however, appeared for some time to realize the tremendous changes brought about by the war. The British Government was slow to economize, and the British people, misled to some extent by politicians, were so slow to perceive their new position as a debtor country and the inability of European countries to pay high prices for manufactures, that they did not attempt to meet the situation by cheapened production but demanded instead shorter hours and improved standards of living. The evils resulting from this failure of debtor countries to realize their new position were intensified by the failure of the United States to understand her responsibilities as a creditor.

Every nation made the mistake of supposing that there would be an early recovery of prosperity. The United States misled no doubt by the artificial war prosperity, made the greatest mistake of all. This observation is not made in any moral or ethical sense. It is always easy on looking back to perceive mistakes not easily discernible at the time, but it is necessary to recognize them clearly today, because they affect so vitally the question of international stabilization of currencies.

It was common knowledge, soon after the war, that America had laid Europe under tribute and that the amount involved was colossal. The vast lending power of Great Britain had passed to the United States. There was a passing realization of this fact in America but unfortunately it was expressed in a spasm of lending in directions which involved heavy losses to American investors. It is not altogether surprising that after the United States had built up her prosperity behind tariff walls she should refuse to acknowledge that the payment of her debt claims on Europe could be made only in the form of goods and services. The task set before the European debtors was akin to that set before the Israelites of old when they were told to make bricks without straw. But perhaps, also like the Israelites of old, the debtor nations might have attempted more in the shape of hard work to meet the situation. How this misreading of developments by the United States was destined to create embarrassment and how it finally culminated in a record crisis is now a matter of



common knowledge. I shall reserve comment upon the fiscal policy of President Roosevelt's régime until I reach the pivotal questions involved in any international currency stabilization.

One other great change arising out of the war calls for special attention. Financial power and financial initiative have passed very largely from bankers and industrialists to governments. In Great Britain it is not so much a case of the Government or the Treasury endeavoring to dominate monetary policy through interference by the Bank of England, but rather of their possessing that power quite naturally through the magnitude of their financial operations. The state of international trade following upon the war reduced the bill of exchange to a trifling total when compared with the pre-war days. That circumstance in itself gives the government almost unlimited power to influence the course of money rates and monetary policy. In the United States I imagine that much the same conditions prevail, though of course under the Roosevelt régime there has been a more definite grasping of power by the government.

But whatever the causes, and however much they may vary in different countries, the fact remains that governments today possess vastly more power to dominate monetary and economic conditions than they did before 1914. And with the growth of democracy there is a greater demand by the people that this power be freely used. These two circumstances, I think, go far to explain why during periods of depression politicians and statesmen have not lent a ready ear to those economists who maintain that depressions can be cured by the old process of increased and cheapened production, involving for a time somewhat lower standards of living.

## II. WHY?

Always keeping in mind the fundamental changes which have taken place since international gold standards were in real working order some twenty years ago, I shall now endeavor to set forth the British view: (1) as to the desirability of a stabilization of currencies; (2) how such stabilization is to be accomplished; and (3) when it may be accomplished.

If a consensus of opinion were taken at the moment in this country with regard to the desirability of an ultimate return by the nations to a gold standard there would be an overwhelming vote in banking circles and a less decisive vote from industry

in favor of a return. On the questions of 'how' and 'when' opinions would vary greatly.

Why is the feeling so general in Great Britain that an ultimate return to an international gold standard is desirable? It might fairly be argued that Great Britain is not doing so badly under present conditions. Her domestic trade has improved considerably during the last eighteen months, and the increase in iron and steel production has been remarkable. I do not think, however, that either bankers or industrialists are misled as to the limitations of this improvement. Possibly because we have acted for many generations both as bankers and suppliers of industrial manufactures to numerous countries, we have an instinctive belief in the doctrine that no prosperity can be extensive or enduring which is not more or less world wide in character. Rightly or wrongly, we believe that world wide expansion in trade is impossible under conditions producing the maximum amount of chaos in the foreign exchanges, which represent international currency.

In the second place, we believe that the present chaos in the exchanges is a deterrent to world trade not merely because of the chaos itself, but also because of the tendency of certain nations to regard the manipulation of the exchanges as something akin to protective tariffs. While tariffs may be barriers to international trade, they can be softened through trade agreements, but currencies based upon an international gold standard have a more enduring character and tend to produce confidence in trading between the nations.

At the present moment the gold bloc countries are suffering most acutely from the chaotic state of the exchanges. They are suffering all the more because the devaluation of the dollar and other measures of inflation in the United States have not caused American prices and costs of production to rise sufficiently to offset the adverse effect of the appreciation in the exchange value of their currencies. It is also fully recognized here that without a revival in world trade the expansion in our home trade cannot go far enough adequately to relieve the problem of unemployment.

Many readers of FOREIGN AFFAIRS are probably familiar with a recent article by Sir Henry Strakosch<sup>1</sup> in which a return to gold is advocated as the most important step to be taken — and one

<sup>1</sup> Supplement to *The Economist* (London) January 5 1935. Supplement to *The Economist* (New York), Winter 1935.

that should be taken quickly — toward world recovery. Sir Henry furnishes statistics showing that in recent years commodity prices in the sterling area have been much steadier than those in the gold-bloc countries, where prices have tended to fall. Other statistics show that production as well as the price level has been adversely affected in the gold-bloc countries. Quite wisely, however, Sir Henry does not labor his argument to the point of maintaining that the countries in the sterling area whose prices have remained comparatively steady should not find it to their ultimate advantage to return to an international gold standard.

It is firmly believed in British financial and business circles that a return to a carefully considered international gold standard is the best safeguard against manipulated currencies and monetary policies of government which may be influenced from sources unable to comprehend the financial and social benefits of a stable money. This feeling is becoming stronger by reason of the growing power of governments in the field of finance, a development to which I have already called attention.

Finally, it is believed here that the danger from manipulated currencies has been increased by the recent tendency of governments to regard depreciated currencies as a trade weapon.

### III. HOW?

While there may be a general desire to return some day to an international gold standard, a consideration of "how" and "when" reveals obstacles which may interfere with the consummation of this desire. There are several methods which might be employed for a return to an international gold standard. In the first place, a conference of all the leading nations might be called to discuss the problem. Unless, however, such a conference is called by the United States, I do not think that one will be held in the near future. In view of what happened at the World Economic Conference in London, called by this country under circumstances implying the closest coöperation of the United States, there is not a chance at present that our government will call another conference. President Roosevelt, after apparently favoring stabilization, turned down the preliminary agreement which had been reached at the crucial stage of the conference, and his manner of doing so made an indelible impression.

There may, of course, have been quite sufficient reasons for President Roosevelt's taking this course, but from that moment

the movement in the direction of extreme economic nationalism gained headway, and it seems at present to be an effective bar to a conference in which international coöperation would be a first essential. It is conceivable that President Roosevelt might confidentially give our government assurances of his cooperation in the event of such a conference. But we are now fully aware of the fact that in these matters it is with Congress that the world has ultimately to reckon.

Secondly, it is possible that the countries in the sterling area, with a view to furthering trade, may draw closer together in an attempt to strengthen still further the present link between their exchanges. In some quarters this course is favored as possibly tending to accelerate America's desire for international coöperation. As one shrewd observer in the City has said, "America has still to make the important decision as to whether her policy is to be that of Internationalism or Nationalism, and in the latter case America may ultimately suffer more than she anticipates."

Another suggestion is that if it is impossible at present to obtain an agreement for an international gold standard, some tentative plan might be arranged to keep the dollar and the franc and the pound in more stable relations to each other. It is urged in some quarters that if President Roosevelt gave an undertaking that the dollar would not be further devalued for a given period, progress might be helped, and it might be possible in due course to arrive at the ratios to be permanently adopted by these three countries.

In default of any arrangement along these lines, the gold bloc countries may abandon gold, thereby relieving themselves of influences at present making for acute trade depression. Such action at first would further intensify the chaos in the exchanges, but in the long run it might quicken the desire of all nations to come to an agreement.

In connection with these possible methods of returning to gold, I would again call attention to the all important fact that Great Britain has lost her former power to enforce a gold standard upon other countries. Nevertheless, it is possible that close coöperation between countries in the sterling area might induce the gold bloc countries in Europe to abandon gold and follow sterling, or cause the United States to make a move in the direction of a return to gold which might appeal to other nations.

Meanwhile, although Great Britain may not be in a position to enforce a gold standard upon the world, it is clearly within the power of the United States, either by a further devaluation of the dollar or by other methods, to render the trade position of the gold-bloc countries impossible, and to disturb the exchanges to such an extent as to quicken the desire of many nations for a return to stability. President Roosevelt's monetary policy was apparently designed in part to that end, but so far it has not produced the expected results. A well-known and practical authority on the foreign exchanges here has expressed the view that since the gold bloc will not tolerate any suggestions of devaluation of their currencies it is necessary for the value of the pound and the dollar to be increased in terms of, say, French francs. Says this authority:

If the pound and the dollar could be temporarily stabilized on the old parity of  $\$4.86\frac{3}{4} = \pounds 1$  it might be possible to increase the value of the pound in France to 80 francs  $= \pounds 1$  and the value of the dollar in that country to 16.4383 francs  $= \$1$ . This would reduce the price of gold in London to 131s. 11d. per ounce fine and in the United States to  $\$32.0972$ , the price in Paris remaining at its present level of 527.625 francs per ounce fine. A period during which these rates would hold good could be decided upon and, if found workable and in the general interests of domestic world trade, ultimately *de jure* stabilization could follow. Such action would remove the fear of further devaluation of the dollar and the pound and be of great assistance to the gold bloc of countries in removing the uncertainty that exists with regard to their currencies.

There are very few here, however, who believe that the time is ripe even for tentative experiments in stabilizing the pound until there has been a great change in the attitude of the United States towards the whole problem. And here we are at once brought up against the fact that while the greatest problem in that country has been the practical bankruptcy of the internal debtor, the American position as regards external obligations has been remarkably strong. In most European countries the problem is concerned mainly with external obligations.

#### IV. WHEN?

Rightly or wrongly, the opinion prevails here that there can be no real return to an international gold standard. It is felt that the key to the situation is to be found in the United States. If, for example, it is true that the nationalist policy of America, as expressed in her high tariffs and a refusal to accept payment in goods and services from her debtors, was largely responsible

(long before President Roosevelt came into office) for the world depression and the chaotic exchanges, that position has been made worse by the fact that in addition to the high tariffs we now have had the attempt on the part of America to pursue methods calculated to still further add to her gold hoards and to the chaos of the exchanges. And President Roosevelt's experiments are still at the stage when it is quite impossible to determine what will be their outcome.

Before there can be an intelligent international discussion of the general principles of stabilization and the ratios to be established between the major currencies, it is necessary to consider the possibilities of a greater equilibrium in international trade and the difficulties created by the stores of gold which have accumulated in the United States and France. Furthermore, a return to an international gold standard seems to be quite impracticable until the question of war debts has been settled. Countries such as Great Britain and France must know what are their final obligations in the matter of war debts to the United States, before calculations of the ratios under an international gold standard are practicable.

During the past year alone stores of gold in the United States, which were already stupendous, were increased by over £200,000,000, a far greater total than was represented by the entire gold reserves of the Bank of England in pre war days. That the dollar has been enormously over-devalued by the 40 percent reduction in its gold content there can be little doubt. Hence the query of the authority I have already quoted is pertinent, when he asks why "the one currency that has been over-devalued — thus making other currencies appear over-valued in terms of dollars — should not be revalued and its gold content increased instead of expecting several other countries that have been able to remain faithful to the gold standard to devalue their currencies to create equilibrium with the United States dollar. The situation reminds one of the story of the old lady who saw her son marching by with his regiment and remarked, 'All out of step except our Jock.'" The United States, according to this same critic, deliberately moved the dollar out of line with world currencies and thus forced deflation of prices throughout the world.

While there is general agreement in London that the dollar has been undervalued and that American stores of gold are in

excess of requirements, it is also recognized that if the monetary policy of the United States should eventually lead to gross inflation much of the gold may be needed as a backing against a huge expansion of credit. Moreover, it will easily be recognized that this problem of international stabilization cannot be divorced from the question of tariffs and other restrictions upon the international exchange of goods and services.

To speak very plainly, I think that the time for obtaining international coöperation for the reëstablishment of the gold standard will depend on the human element. If (I only say *if*) the policy of the United States throughout the post-war period has been one of extreme nationalism accompanied by misapprehension of world conditions and of the responsibilities of a creditor country, I am afraid that a certain amount of estrangement has resulted. And whether the subject is that of war debts or stabilization, the representatives of the United States seem unable to negotiate on equal terms with those of the other countries because of the power possessed by Congress. Again to speak quite frankly, that body appears to contain a large number who have never given much consideration to international problems.

Above and beyond all this, we in London feel that the Roosevelt experiment is only in its early stages. Opinion here seems to be equally divided between those who believe that by luck or skill America will pull through to conditions of real prosperity, and those who believe that the experiment will end in financial and social chaos, involving in some degree the whole world. Never was there a time when it was more difficult for America and Great Britain to come together over matters of vital concern, and yet there was never a moment when unity and coöperation between the two countries were more needed.

Of course, Great Britain herself has resorted in recent years to protective tariffs, but I think that the heaviest blows given to the free exchange of goods and services between different countries and also to the smooth working of an international gold standard have been given in recent years by the United States. I believe, therefore, that it is up to that country to take the lead in bringing about a reassembling of the nations for the good of all. This may savor of idealism, but I believe that the decision will have to be made by America. Possibly no country more earnestly desires a return to the gold standard than Great Britain, but as matters stand at present the risks are too great. She still has a reputation

as an international monetary center which might be jeopardized by a return to the gold standard under present conditions. The dice would be loaded too heavily against her. The stability of an international gold standard will depend not merely upon the terms on which it is started, but upon the continuity with which the various nations "play the game."

I honestly believe that a few representatives of the United States Government and a few American bankers, cooperating with the same number of members of our Cabinet and of our banking community, could readily determine the principles to be adopted. But of course the less responsible and more numerous politicians have to be borne in mind. Unless there is a very strong and generous lead from the United States, covering trade and currency arrangements alike, we shall probably drift on for some time longer, but perhaps with a tendency towards increasing activity and stability in sterling exchange.

One thing is certain: if President Roosevelt and his advisers were shortly to attempt some plan for provisional stabilization of the pound, the franc and the dollar, there would have to be a definite undertaking that the dollar would not be further devalued over a certain period. And even this provisional scheme would have to provide for a higher valuation of the dollar in terms of other currencies than that now prevailing.



# PENDING NAVAL QUESTIONS

*By Admiral William V. Pratt*

ON DECEMBER 29, 1934, Japan denounced the Five Power Treaty signed at Washington on February 6, 1922, as part of the general Pacific settlement agreed to at that time by the United States, Great Britain, France, Italy and Japan. According to Article XXIII of the Treaty there must be another conference within a year of its denouncement. Unless all parties to that agreement should decide unanimously not to meet, it therefore seems that a conference must be held before the end of the present year. Will this naval conference include other states in addition to the five original signatories to the Five Power Treaty? As such questions are not settled by majority vote, it would seem that one objection would prevent the inclusion of other states. Even so, the fact remains that the political and military status of other countries has changed since the Washington Treaties were signed, and these changes will have to be taken into account.

Three treaties were negotiated at the Washington Conference, and all were tied together for a purpose. This purpose was: one, to promote world peace; two, to promote peace and fair practices in the Far East; three, to provide security in national defense for all the peoples concerned; four, to reduce their military burdens. In a way, the Five Power Treaty is the sanctions clause of the others. Through it the signatory nations can effect the purpose mentioned without employing force, whereas a single nation in order to attain that same purpose almost inevitably would have to resort some day to the use of force. Despite Japan's special geographical location in propinquity to the mainland of Asia, which confers certain advantages and certain disadvantages, and despite the fact that she is acutely susceptible to disturbing events in the Far East, the pertinent question remains: Can one nation act in the rôle of five and still preserve the purpose of the Washington Treaties, which she claims is her purpose, and do it better than if she had remained an active member of the original group? To break the Five Power Treaty and supply nothing equally good, or to change its character so that it loses its present force, is in effect to damage the entire bloc of Washington Treaties. This inescapable fact is one of the weak points in the Japanese position.

What is the just basis of one state's claim for naval parity with another? In a claim of this sort, if any intent exists which has back of it the principle of aggression, this fact itself prejudices the claim and renders it unacceptable according to the principles established by the Washington Treaties and the Kellogg Briand Pact. National prestige may furnish a popular basis for an insistent plea for parity, but not necessarily a just one. "National security" may or may not be the basis of a just claim for parity. It requires more conclusive proof than its mere statement. After all the technical data has been submitted and weighed, the claim still must stand the acid test of intent.

Does the principle of equality of arms help better to insure peace than does the ratio principle? It has not done so in the past, nor does it seem probable that it will in the future, unless it is accompanied by a genuine intent for peace. Whenever this intent has been absent, and its place taken by fear, suspicion and greed, then equality in arms coupled with free competition in arms has always shown itself a breeder of war. So long as the preservation of peace is not the governing motive of all the powerful nations, or so long as this motive is hindered from functioning effectively, the ratio principle must stand as a safeguard between peace and war. Abandon the ratio principle, and further advance along the road of arms limitation seems blocked.

Would equality in arms coupled with a plan for reduction of arms offer a better insurance for continued peace than the present limitation of armament scheme based on the ratio principle? Would it be less costly in the end? The answer to both questions is no. Once accept the equality in arms principle as a right upon demand, and it becomes the right of all nations. It is a return to the practices in vogue before the present limitation of arms scheme was tried, bringing into force again the old custom of balances of power. Its tendency is to throw into partnership those states whose motives are aggressive, on the share-and share alike basis, and to bring together in another group those who seek protection through cooperative action. A struggle ensues between the forces aggressive and the forces protective. When the balance is broken, war begins. The appalling cost of actual war more than offsets any first saving under the "equality reduction" plan.

Despite the Manchukuo and Shanghai incidents, and despite the naval discussions which have been going on in London and which have filled so many columns of the press, there is con

siderable evidence that the main political factors which will determine the course of the coming naval conference are centered to a large extent in the continent of Europe. In 1921-22, when the Washington Conference was arranged and held, Europe was numb from the effects of the late war. The same problems remain in the Orient today; but with the revival of the old war atmosphere in Europe, other problems, perhaps even more pressing, demand attention.

Such are some of the political factors which must be taken into consideration when the technical details are fitted into the picture to make it complete.

In devising an instrument to replace the Five Power Treaty, now denounced, two methods of naval limitation are proposed. Which is better, to adopt the so-called "global tonnage scheme," or to adhere to the present method of limitation of total tonnage and numbers in types of naval craft? The debate on this question has waged back and forth. The global theory sounds simpler, and on first thought might appear likely to lead more quickly to a general agreement. But it is open to a serious objection. At best it is only a halfway concession to the principle of limitation of armament. If during a conference on arms limitation the negotiators have in the background of their minds the idea that preparation for war is still more essential than preparation for peace, and if conditions either natural or agreed to impel them to accept a lesser total tonnage allowance than they want, then the tendency of such negotiators would be to prefer the global theory, for it leaves latitude in making adjustments to suit fancied individual needs. But when the total tonnage figures are large, as they must be amongst the foremost naval Powers, there is created within the total envelope an intensive competitive spirit and a spirit of suspicion, the very things which the limitation principle seeks to avoid. Further, under the global theory there is not that accentuation of type which is one of the characteristics of the present system. If, then, it becomes proper to stress the advantages of one type of ship, or to point out the objections inherent in another, the public mind is not so well prepared to deal intelligently with the matter. Lastly, if in the course of discussion compromise is necessary, it would seem easier and more practicable to adjust the global principle to the present system than vice versa.

What is the value of the so-called escalator clause? It has an important function; but that function is not to give one Power an

undue advantage over another. Its invocation need not necessarily create the competitive spirit. It is written into agreements in order to provide for unforeseen contingencies which might arise later affecting the national security of a country, and in order to allow that country latitude to meet them. An escalator clause was written into the London Treaty and undoubtedly will find a place in subsequent agreements. It is likely to prove helpful in effecting compromises between different viewpoints.

I shall now try to describe the principal technical differences between the British line of thought and our own. They arise first of all from the general position each country probably would occupy at the outbreak of war, and, second, in the sort of operations each navy would be called upon to undertake in the event of hostilities. The differences in these two respects find expression in different needs as regards types, numbers and size of naval craft.

Great Britain and the United States occupy somewhat unique positions *vis à-vis* other nations in that both are essentially naval powers and not military powers. But if war breaks out their positions are not the same. British thought must always take cognizance of the fact that, whatever the cause of the war, or in whatever part of the world it occurs, Great Britain is liable very promptly to become one of the contenders whether she wishes to or not. She has the peculiar distinction — with its disadvantages as well as its advantages — of being of all the Great Powers the foremost exponent of natural sea power. A state possessing natural sea power is one whose security and very existence is vested in the sea. Another peculiar distinction lies in the fact that the British Commonwealth of Nations is an entity whose individual members are scattered all over the world. There exists no counterpart of the relationship of each member of the British Empire to other members and of each member to the whole. At the outbreak of many wars which might conceivably arise, the probabilities are that at first the United States would not be drawn in. This fact has led Americans to regard themselves as the Great Neutral in case of war. Britain has inclined to take the far horizon view, we have inclined to the shorter range view.

Translating this into naval parlance, we may say that Great Britain takes the view imposed by strategy, while we adopt what might be called the tactical view. Our past experience has been more on the order of the individual ship engagement. The picture Great Britain sees is more on the order of the World Battle. In

our individual engagements we have found that ruggedness and strength are all-important factors, leading us to favor these fighting qualities in each type of ship and in each individual of that type. Great Britain of course recognizes these essentials, but her wide-flung world responsibilities force her, in view of treaty limitations on tonnage and in view also of expense, to place an importance on numbers of ships greater than the importance which we give to numbers once our mass or fleet needs are met. We build the biggest and best in each type of ship that the law allows. Our defense problem, in case we are forced into war, tells us this policy is correct. It also fits perfectly the problem confronting us as the Great Neutral.

However, there are also more specific and particular matters which determine our conclusions. Admiral Sir Herbert Richmond in an excellent book which he has just published,<sup>1</sup> and in his two articles in *FOREIGN AFFAIRS*,<sup>2</sup> sets forth at length his thesis that the purpose of sea power could be accomplished just as effectively if the ships constituting the backbone of naval strength, the battleships, and those a part of whose duty it is to serve as the eyes of the fleet, the cruisers, were reduced drastically in size. He makes a very able plea that the cost of maintaining a larger naval establishment would then be appreciably less. This is quite true, and in theory and in principle the argument is sound. British naval authorities themselves, though they do not go to the lengths advocated by Admiral Richmond, still would like to see substantial reductions made in the size of battleships and cruisers. It is the Admiral's contention that ships grew in size due to the struggle for ascendancy between the gun and armor, and that there is no logical reason why we should not reduce in size immediately.

The problem is not quite so simple. While it is quite true that the rivalry between gun and armor did help to increase the size of fighting ships, it is also true that naval ships grew in size and speed — like the merchant marine, like the machines in industrial plants — due to perfectly natural causes incident to the characteristics of the age in which we live. There also grew apace, to match the times, those auxiliaries of the battleship, the destroyer and the submarine, while their principal weapon, the

<sup>1</sup> "Sea Power in the Modern World." New York: Reynal and Hitchcock, 1934.

<sup>2</sup> "Immediate Problems of Naval Reduction," April 1931; "Naval Problems of 1935," October 1934. Other recent articles on naval problems published in *FOREIGN AFFAIRS* have been "The Setting for the 1935 Naval Conference," by Admiral William V. Pratt, July 1934, and "Japan's Demand for Naval Equality," by Admiral Kichisaburo Nomura, January 1935. *Editor's Note.*

torpedo, carried ever greater and more powerful charges of high explosive. The deadly mine, hidden under the waters, became a greater and greater menace. Then the aircraft arrived, with its air bombers capable of dropping huge charges of high explosive. Now were it true that any of these auxiliaries — the aircraft, the destroyer, the submarine — could replace the fighting heart of the fleet, the battleship, and its eyes, the cruiser, and still preserve the essentials of sea power, and if it were able to do so at smaller costs than those of the present system, then let them assume that rôle. The history of military art reveals, however, that whatever the first claims be, in the end the fundamental and essential is never replaced by the auxiliary.

To grasp this it might be well to state what the essentials of sea power are. Says Admiral Richmond: "It has consisted in the power to control movements at sea. Sea power is power in that form which enables its possessor and prevents his opponent from moving military forces by sea, which prevents an opponent from receiving, by way of the sea, the goods he needs, either for his people or his fighting forces, and sending across the sea in exchange the goods with which he pays for them." It permits the possessor to do those things which he denies to his opponent. Ever the old and tried fundamentals of war have reasserted themselves and proven true against newer claimants, always the new weapon has proven itself to be the auxiliary — a very useful one sometimes, but auxiliary nevertheless — of the main weapon, the gun, and the ships which carry this weapon are still the main vehicle for enforcing sea power. They live day in and day out in all sorts of weather, keeping their silent watch or prescribing the conduct of hostilities. Despite all the claims its proponents make for it, in a military sense, air power can never replace land based man power, nor in the naval sense can it replace the fighting heart of naval strength. As to money expenditures, in order to effect the desired results the auxiliary arms have proven themselves more costly in the end. Per ton of efficiency, the battleship is the cheapest naval investment we have, and the longest lived. It has grown in size, and maintains its size, largely in order that it may be able to protect itself against the newer weapons of attack, the torpedo and the air bomb. By all means let us reduce the size and costs of capital ships whenever possible, but let us know just what we are doing, and let the attempt be made along constructive and not along destructive lines.

Were it not for Great Britain's impelling necessity for numbers, and the attendant cost of constructing the present-size battleships, it is doubtful if the British viewpoint would differ much from our own. Take an assumed total tonnage of 350,000 tons. Out of this may be constructed ten 35,000-ton battleships, carrying 16" guns, or fourteen 25,000-ton vessels carrying a less powerful armament both for offense and defense against gun, torpedo, mine or air bomb. Which force do you think the sound naval tactician would choose? Probably the almost unanimous decision under present conditions would be for the ten-ship force; and the disproportion grows as the total tonnage increases. Other factors being equal, the total cost of constructing the ten-ship force should be considerably less than that involved in constructing the fourteen-ship force. Wherein, then, is the American policy unsound in building the ships which American naval men think will satisfy their own needs best?

This answer is nevertheless not entirely satisfactory to those whose needs differ from our own, nor does it meet the desires of those who, while not held responsible for the results of the advice they give, would like to see expenditures curtailed regardless of efficiency. Let us approach the problem, then, from a different angle. Let us imagine that some day, following the plan of limitation of armaments, it might be found possible to abolish the submarine, prohibit the offensive mining of the seas, restrict defensive mining to stated distances off one's own shores, prohibit bombing from the air, limit the size of torpedoes just as the calibre of guns is now limited. In that case the entire picture would change. The principal elements in a battleship to be considered are gun, armor, vulnerability to under-water attack and to attack from the air, and fuel capacity. Speed is not so essential in this class of ship as invulnerability. So long as a ship remains vulnerable to under-water attack, the gun and the armor and the displacement to carry them are matters of smaller moment. This suggests the logical line of approach to the problem of displacement when artificial methods such as limitation by agreement are tried. Considerable tonnage must be builded into a vessel to care for the vulnerability factor. Remove the dangers, and it will be more easily possible to arrive at compromise figures for gun and armor and displacement.

Regarding the cruiser, Admiral Richmond has this to say in the section of his book dealing with overseas bases: "This element of sea power is very far from being a 'mere' matter of abstract prin-

ciples It has one particularly practical application, which affects the costs of navies today For three reasons the United States has opposed a reduction in the size of the 'cruisers' to a figure well below that so unthinkingly adopted at Washington " The first two of the objections stated refer to the importance of cruisers in comparison to merchant marine ships, and are subservient to the third objection The author's statement of our third claim is, ' that a nation which has no oversea possessions requires these large ships in consequence of the great distances across which naval action has to take place ' This comes nearer to the mark In all fairness it should be stated that at the time of the Washington Conference we had no cruisers nearly so large as 10,000 tons (our largest was 7,050 tons), but Great Britain did have So when the suggestion was made to accept 10,000 tons as the upper limit for the size of the individual unit, it was agreeable to us Somewhat contrary to expectations, we have since developed an excellent vessel The fact that we do not have any overseas bases where we can overhaul, supply and dock has handicapped us in one of the essential elements of sea power, but we have attempted partially to overcome this handicap by greater attention to the service of transport and supply which, as an army commander knows, is vital to the forces at the front This inherent weakness causes us to stress greater carrying capacity, greater strength and greater power of survival in each individual unit, to the end that we will have an efficient, compact fighting fleet capable of long range work To make amends — if amends be required for the position we take — and realizing fully that a 10,000-ton 8" cruiser is probably much better than a smaller one armed with the 6' gun, and to compensate those who require more cruisers than we do, we have always been willing to write an adjusting or compensating clause into any agreement, as was done in the London Treaty, whereby those that took more 8" cruisers got fewer 6" cruisers and a smaller total tonnage and numbers of ships

In our building programs we have always constructed the largest and strongest in type we have never believed much in what might be called in between ships Some day it may be possible to fix a lower upper tonnage limit for the individual cruiser and return to the 6' gun for its armament But this much is assured whatever limit is agreed upon, it should be sufficient to give us the cruising radius we feel we need, and of that we are better judges than anyone else Moreover, the time chosen for



this transition should be propitious, for it is these transition periods which cause the naval expert much anxiety.

I have compared our approach to technical naval problems with that of the British. Do any technical differences exist between ourselves and France, Italy and Japan? In the past there have been no differences to speak of between Italy and ourselves. With France we are in general agreement except in the matter of the submarine. Until recently our stand regarding technical matters was fairly well in accord with that of Japan — except in the matter of submarines, where Japan stood with France. Lately Japan has come out with a set of new naval definitions of her own coinage and suited to her own needs, without any special regard to historical precedent, namely that battleships and aircraft carriers are offensive ships and submarines are defensive. This argument will not stand scrutiny. It is the manner in which these ships are used which makes of them offensive or defensive weapons, and of course any one of them can be used in either way easily.

Is the submarine really the efficient naval craft its proponents claim it to be? At the beginning of the World War the primary rôle of the submarine was supposed to be defensive, that is, it was designed to work fairly close to and in defense of one's own shores. It thus acted much in the manner of a movable under-water mine. Very soon, however, it pushed out and began to act directly against the enemy — that is, in what in technical parlance is known as offensive operations. It sought the enemy, instead of waiting to be sought. It first sought out warships built to fight warships, and in the beginning it was extremely successful. It sank several old battleships and was looked upon as a deadly menace, the counter for which had not yet been found.

But little by little the counter to the submarine was discovered. Listening devices and tracking methods were developed; great numbers of destroyers to run down the submarine were built, these craft also being fitted to drop depth charges, an under-water barrage of mines timed to explode at any required depth; nets and a very deadly form of mine were developed; aircraft came into the picture to spot the submarine and to attack it; large ships had both internal and external protection against the torpedo built into their hulls, making them proof against one or possibly even more explosions. Large ships learned to fan out, instead of remaining as closely bunched as formerly; they steamed at higher speeds, and learned to zigzag instead of following a

steady course. When necessary, they learned to obscure their movements by smoke screens. And they were accompanied always by their little protectors, the destroyers. The destroyers, able to dart about at high speed and having light draft, were never themselves in any very serious danger of being struck by the submarine's torpedo, but in turn they became a serious menace to the submarine itself. The tables were turned.

Unable any longer to act efficiently against fighting ships, except largely as a matter of chance, the submarine then turned its attention to the unprotected merchant ships, especially those of low speed. Once again these operations were most successful, and the situation facing the Allies was fraught with great peril, even though against merchant ships of high speed using the proper tactics in submarine waters the percentage of sinkings was not unduly high. Again a partial counter was developed — the convoy system, with protection by destroyers. Owing to the merchant ship's inherent characteristics, the submarine is always a menace to it regardless of what protective methods may be taken. So, too, owing to the submarine's inherent characteristics, the normal target of the submarine in the end becomes the merchant ship and not the fighting ship. In this respect its operations must resemble much the air bombing raids conducted against the unprotected civilian population behind the fighting lines. To build a submarine costs twice as much per ton as it costs to build a ship that floats on the surface, and when it is built its active life is one-half that of the larger ships. If at any time in its career it fails to qualify in a deep submergence test its usefulness is over, and it is liable to become the coffin of its crew. True, it is the one type of ship which can put out when a nation does not control the surface of the sea, and move toward an enemy to gain information, but if it is called upon to fight, its most effective target is the unprotected merchant ship. This is the craft which some attempt to call a defensive weapon. Its record speaks for itself, and is its own condemnation, but if one nation insists upon retaining the type the others must do so in self-defense.

In passing, it might be well to notice that by the London Treaty there was provided, in the exempt tonnage class, a small 2000 ton vessel of 20 knots speed carrying four 6" guns. This craft is handy for the nations with big navies, but it should be especially useful to countries which cannot or do not wish to go in for great naval tonnage. On account of its all around ability,

the latter will probably find it in the long run more serviceable and efficient than any of the smaller special types like the destroyer and submarine.

The aircraft carrier does not seem to present any great problem. Despite the efforts which may be made to do away with the type, it has probably come to stay. Even were bombing abolished, it has other uses which make it valuable. The total carrier tonnage is small — 135,000 tons — compared to the total tonnages in the battleship and cruiser classes. The Washington Treaty set an upper limit of 27,000 tons for the individual unit. This undoubtedly is too large and could be reduced if there were any point in asking for such a reduction. Not huge size, but speed, habitability, certain sea qualities and adequate protection against air and small surface craft are the first essentials for the air craft carrier.

In the matter of the destroyer type there have been very few disagreements. At best it is a comparatively small ship. If ever the submarine is abolished the number of destroyers could probably be reduced, since one of their major activities would have been removed.

The technical matters which I have indicated here may present difficulties at the coming naval conference. But after all, the main question is political. It must be this: Will the good beginning in the establishment of security and the preservation of peace made at the Washington Conference be allowed to pass into the limbo of forgotten things?

# THE POLITICAL FUTURE OF INDIA

*By Viscount Halifax*

BY THE time these words appear in print, Parliament will be well seized of the new Government of India Bill. We shall be within sight of the end of that long process of inquiry and deliberation which began as far back as the autumn of 1927 when the Statutory Commission — better known as the Simon Commission — was nominated. Students of Indian affairs will not need to be reminded of the various stages between that inaugural step and the publication of the Joint Select Committee's Report last November. The highest point of importance and interest was reached in the two years long Round Table Conference, when the representatives of Great Britain and India met on free and equal terms to take counsel together on the whole question of India's future system of government. The White Paper, based upon those discussions and published in 1933, contained the proposals of His Majesty's Government for the future constitution of India. The Joint Committee has examined and reported on them, and now Parliament itself is called to complete the work of more than seven years. It may be useful, therefore, to look back at the whole great area which has been traversed, and, in the light of the knowledge and experience gained during the past seven years, to reinterpret our subject, setting its outstanding features in just perspective, and marking the spot to which our labors have now brought us.

Fortunately I need not discuss the basic considerations which must govern all serious thinking on the subject of Indian government. This has been done for the readers of *FOREIGN AFFAIRS* by Lord Reading, my predecessor in the Viceroyalty of India, in the issue for July 1933. His article brought us to the eve of the publication of the White Paper, which has since been examined by the Joint Committee selected from members of the House of Lords and House of Commons, appointed in 1933. The legislation now introduced in Parliament is founded on the Report of this Committee, and it is accordingly with the Committee's recommendations that this article is concerned.

As regards the Committee itself, it would be difficult to conceive of a more authoritative British tribunal than this which was drawn from the two Houses of Parliament. Moreover, in view of the unique importance of its work, this particular Committee was

chosen with peculiar care and deliberation. Eighteen out of its thirty-one members had had official connection with Indian Government affairs. Among these eighteen were three ex-Viceroy, three Secretaries of State for India, three Governors of Indian provinces, and three members of the Simon Commission, including Sir John Simon himself. Its Chairman had presided over a Royal Commission appointed to inquire into Indian agriculture, which is the principal foundation of Indian life. Each of the three political parties was represented by distinguished members. It may fairly be said, therefore, that the Committee was about as adequate as humanly possible to the great task entrusted to it.

After eighteen months' concentrated work, the Joint Select Committee published its Report on November 21, 1934. The Report falls into six sections. It opens with a survey of the principles of a constitutional settlement for India, and this is followed by five sections on the provinces of British India; the Federation of All-India; the Central Government (that is, the government of the Federation); and certain special subjects, notably finance. Finally, there is a section on Burma, which the Report recommends should be separated from India.

The main structure of the White Paper proposals is left unaltered by the Report. That is to say, the Report has recommended that provision should be made in an Act of Parliament to put into effect the following three main principles:

a. Autonomy for the British Provinces, with certain reserved powers in the hands of the governor.

b. A Federation of All-India, the constituent units being the Provinces of British India and the Indian States under their own hereditary rulers.

c. Responsibility in the Federal Government, with certain limitations, e.g. defense and foreign affairs are to be reserved to the Governor-General, who is also to have certain special powers to enable him to carry out certain responsibilities to the British Parliament.

This synopsis of the proposals, bald as it is, reveals the scope and range of the suggested changes in Indian government.

It will be seen that the status of the Provinces of British India under the proposals is to be materially different from what it has been in the past. Briefly, in order to enable them to enter into the Federation on even terms with the Indian States, they have to be made autonomous. Dyarchy, that "singular device" as Lord Reading called it, by which part only of the administration was handed over to the control of ministers chosen from and respon-

sible to the provincial legislature, is ended. All departments of government are now to be transferred to the ministers responsible to provincial legislatures, enlarged, and made more representative. The Governors of Provinces are to have special powers to enable them to discharge their responsibilities to Parliament for the peace and good government of their respective charges.

Above all, India as we know it today will have, for the first time in her history, a common government, and in this lie latent immense potentialities, both spiritual and material. The creation of an all India Federal Government is recommended for the eleven Provinces of British India and such Indian States as desire to accede. While there is to be no change in the domestic government of the Indian States, or in the relations between their rulers and the crown, and while practically all that field of government which touches the day-to-day life of the man in the street or village will fall within the provincial sphere, the Federation will deal with such All India matters as currency and tariffs, migration and immigration from and into India, maritime shipping, a large area of the vastly important field of communications, and most of the scientific activities of the Government and many others. Defense and foreign relations, though essentially of course all-India matters, remain outside the scope of the responsible Federal Government, inasmuch as it seemed to the Committee impossible to place a large portion of the British Army still required for Indian defense under any control but that of the Imperial Parliament, and foreign relations are closely and inevitably connected with defense. For these two important subjects, therefore, the Governor General will remain directly responsible, as he is at present, to the Secretary of State for India, and, through him, to the British Parliament.

The Federal Legislature is to consist of two houses, in both of which the representatives of British India will be chosen by indirect election. The representatives of the Indian States will be nominated by the States themselves. The Provinces of British India will each have an elected legislature chosen by direct election, on a franchise representing about 14 percent of the adult population of British India. The Committee recommended that five out of the eleven Provinces should have upper as well as lower houses, and both in the Federal and in the Provincial bodies provisions are made to secure a quota of seats to minority communities.

The Report thus visualized an India moving, in respect of po-

litical development, along the lines of responsible self-government, as the British peoples all over the world understand that conception. Both in the Federation and in the Provinces, the Governments will be composed of ministers responsible to their legislative bodies, like ministers in this country and the Dominions. Normally, the Governor-General and the Provincial Governors will act on the advice of ministers, but, for reasons peculiar to India, which the Report fully explains, the Governor-General and the Provincial Governors are given certain exceptional powers to ensure that they may be able to discharge the special duties imposed on them under the Constitution. They are all charged, for example, with the duty of safeguarding minority communities, and for coping with any serious threat to peace and order in their respective jurisdictions. The Governor-General has the additional duty of ensuring the financial stability and credit of India.

The Committee gave special attention to the grave problem of terrorism in India, and made certain proposals additional to those contained in the White Paper. The most important of these is that the Governor of a Province, in order to combat terrorism, should have the power to take under his own control any branch of government which he might find it necessary to use for that purpose.

Among the special subjects discussed, the most important outside finance are those relating to law and order, and the safeguarding of British commercial interests in India. The Committee recommended that recruitment in Britain for the Indian Police, the Indian Civil Service, the Civil Branch of the Indian Medical Service, should be continued, and that all rights enjoyed by the members of the public services should be maintained. Particular attention was directed to the protection of police discipline and judicial independence against political attacks. In the matter of trade discrimination the Committee, while disclaiming any desire to hamper any legitimate economic development in India, recommended that the Governor-General should have a "special responsibility" to prevent the imposition of *penal* tariffs on goods imported from the United Kingdom. Lastly, in order to afford means by which Indian opinion could have the formal opportunity of influencing the opinion of the British Parliament, the Committee advised that the Indian Legislatures should, after ten years, have the right to recommend to the British Government and Parliament the amendment of the Constitution on such matters as the franchise, and the composition of the legislative bodies.

communities. It will be remembered that at the Round Table Conference the representatives of the majority and minority communities were unable to reach agreement on such vital matters as the proportion of seats to be allotted to the various communities in the Provincial Legislatures, and also in the Federal Legislature. In the end the British Government had to decide this and other disputes for them. Then came Mr. Gandhi's intervention in September 1932, causing certain modifications in the British Government's award, which undoubtedly operate to the detriment of the Hindus, notably in the Punjab and Bengal. The result of all this is that the major topic of interest for most of the voters in India today is precisely this question of the comparative strengths of the various communities in the Provincial Legislatures. Thus in some Provinces the Hindus, in others the Mohammedans, view the forthcoming autonomy with some misgiving. And always the control of the police is foremost in their minds, for this is the executive arm *par excellence* of the administration. It was to meet such anxieties that the Committee recognized the necessity of vesting certain extraordinary powers in the Provincial Governors, to enable them to protect minority rights and ensure the peace and order of their Provinces, and it is satisfactory to find that high police officials and the Indian Police Association, the representative body of the Indian police service, have expressed approval of the transfer of law and order to Indian ministers on the basis recommended by the Committee.

Impressive as are these measures for the future government of the Provinces, the conception which overshadows everything else for those who approach the problem remembering the past history of India is the proposed creation of a Federal Government of All India. Every other proposal — major and minor — hinges on this great central theme. It is necessary for readers to appreciate how strange and far reaching this proposal is.

Hitherto the word "India" has been very loosely used. The average person with no Indian experience regards the words "India" and "British India" as synonymous. The better instructed distinguish between "British India" and the Indian States, which comprise roughly about two-fifths of the area of the whole entity properly known as India. There is no need for me to describe here the extreme fragmentation of "Princely" India, since that is one of the facts with which the controversies of the past few years have made us all familiar. What is not so widely known,



however, is that all India has never yet formed one country for the purpose of government. At different times in the past, as in the days of Akbar and of the great Asoka Maurya, nearly the whole of India has been subject to the sway of one monarch, but the historic Andhra Kingdom of the south was always independent. Moreover, many of the large Indian States, ruled by members of dynasties of great antiquity, had never been fully incorporated into the political life of the Mohammedan or Hindu empires of the past. They have gone their own way and lived their own lives.

It will be seen, therefore, that the creation of a Federal Government of All-India is something far more than the mere agreement of a number of autonomous units to combine together for certain common purposes. It is the first step in the creation of a nation. Further, it is a step which has to be taken in concert by contracting parties of widely different outlook and status. First, there is the British Government, representative of the British people, upon whom must still rest their share of responsibility for the good government of India. Next come the 240 millions or so of British-Indian subjects, with their different and in some cases conflicting interests and communities. Lastly, the Princes, with their peculiar status and multiplicity of rights, legal, personal and customary. It would take me too far afield to discuss the extraordinary complexity of the issues raised by the problem of welding all these different parties, interests, races, communities, rights, claims and counter-claims into one harmonized organic whole. I mention them here in passing because their existence, together with the newness and magnitude of the task which Britain and India are attempting in common, forms the reason for the particular balance of autonomy and limitation which the Joint Select Committee's Report creates.

Of course there is criticism — from different and even opposing quarters — of these proposals. The gravamen of all the criticism is that no clear-cut plan of a new Constitution emerges. The plans for the Provincial Governments are reasonably precise, although, as we shall see, there unavoidably are certain indeterminate lines even there, and, again inevitably, when we get to the Federal Government. We cannot say, for example, exactly how cabinets will be formed. The dividing lines between Federal, Provincial and Indian State functions and powers have still to be defined in legal form, setting just lines of demarcation without opening wide

doors to litigation. Experience is required in order to adjust the relations between the Provinces of British India and the States, just as it is in order to effect the balance of responsibility between the Federal and the British Governments. But nothing of this can conceal for a moment either the magnitude of the changes now proposed in the Indian Government, or the great extent of power now being devolved on Indians themselves.

Attention has also been drawn by British and foreign as well as Indian critics to the "safeguards" with which the scheme is not too sparingly studded. A more accurate phrase for these would be "emergency powers." For the British Government has always taken the view that there are certain broad parliamentary purposes, such as the preservation of order, the protection of minorities, the credit of India, the fair treatment of British commerce, and the legal rights of the services, for which in the last resort provision must be made in any transfer of power. Actually, it is not easy to estimate the validity of the criticisms of these emergency powers. Some have said that they are so real and all pervasive that they make responsible government a sham. Others say that these powers are worth no more than the paper they are written upon, and that self government will, therefore, be a dangerous reality. The Committee felt that in the special conditions of India the measure of responsibility which in their judgment must continue to rest upon this country was not inconsistent with that which they desired to see devolved on Indian shoulders. Rather, the two are complementary and the provision made for continuing British responsibility is meant to foster, and not to strangle, the nascent Indian Constitution.

Again I mention these things for a reason. They arise, as I said above, out of the historic and political and social conditions of India, and they reflect all the fundamental conditions which govern public life and politics in India today. They are not merely artificial devices to protect British interests. There is, indeed, nothing unnatural or artificial in these proposals. They are rather the definition, in more or less precise constitutional form, of the conditions in which a new nation is being brought to birth by the Mother of Parliaments herself. And this offspring is as legitimate as her other children, the Constitutions of Canada, Australia, New Zealand and South Africa. We are witnessing a process of evolution, and that which now occupies the attention of the British Parliament, as it occupied that of the Joint Select

Committee, is the effort to interpret correctly the lines which the evolution is taking, and to establish the conditions for its future safe and healthy progress.

In one of the most striking passages of its Report the Committee has shown that any attempt to copy British institutions by the mere reproduction of the written provisions of the constitutional law of the United Kingdom would ignore the existence of many important factors necessary to the proper working of parliamentary government, but which in the United Kingdom have only the sanction of centuries of custom. The successful working of parliamentary government in India therefore is bound to depend on the translation of these conventions of the British Constitution into statutory emergency powers. To sum up, the latter are designed to secure four main objectives: flexibility, so that the Constitution shall contain within itself the seeds of growth; strong executives in the Provinces, essential in the absence of disciplined political parties; efficient administration — for no country depends to a greater degree than India upon its administration; and an impartial authority to hold the scales between conflicting interests.

One other important matter, in which the conclusions of the Joint Select Committee diverged from the White Paper, calls for mention — the recommendation of a system of indirect election for the British Indian members of the Federal Legislature. This recommendation has given rise to much adverse comment, and it is desirable to repeat that the Committee make it possible for the Indian Legislature to lay their own proposals before Parliament in regard to this matter at some future date. It is obvious that constituencies which might contain almost half a million electors, and be as large as England, are not really practical units for a democratic representative system. Indirect election may fairly be judged more workmanlike and equitable, and, as I have said, it is open to the Indian Legislatures themselves to recommend the adoption of another system if they desire to do so after a certain lapse of time.

I have now outlined the great scheme which the Imperial Parliament has before it. It is no less than the drafting of a new Constitution for one-fifth of the earth's inhabitants; drawn from a multiplicity of races, speaking many different dialects and languages, some with civilizations more ancient than ours, others sunk from all time in an abyss of depression; cleft by religion into seemingly unbridgeable divisions, divisions themselves sub-

Inasmuch as my own journalistic experience has been confined to the Soviet Union, I propose to restrict myself to a description of the official taboos which I learned to identify and recognize there, leaving to colleagues who have had experience under other forms of dictatorship to fill out the picture by listing the official inhibitions of other countries. Since the Soviet system of government represents a dictatorship of the most perfected type, and is second to no régime in the world in its technique of detecting and crushing the faintest symptoms of political criticism and opposition, the official pressure of various kinds which is brought to bear on foreign journalists in Russia naturally is vastly greater than would be conceivable in a democratic country and rather stronger than is customary under dictatorships, so far as I can judge by comparing notes with journalists who have worked under dictatorships of the fascist and military type. Thus the Soviet Government is unique, I think, in enforcing a preliminary censorship of all press telegrams, and its action in 1933 in refusing to permit foreign journalists to leave Moscow without special permission is unprecedented, at least in European countries.

Among the aspects of Soviet life on which, as a result of official taboos, very imperfect and incomplete information has reached the outside world during recent years, I would especially mention the great famine of 1932-1933, the permanent administrative system of arbitrary arrests, followed by exile to forced labor under inhuman conditions, the persecution of religion, and the depreciation of the Soviet ruble.

### I "FAMINE"

To anyone who lived in Russia in 1933 and who kept his eyes and ears open the historicity of the famine is simply not open to question. There may be differences of opinion about the causes of the famine, about the probable number of victims, about the conclusions to be drawn from it. But it is beyond dispute that an enormous mortality—from outright starvation, from typhus, from influenza and other diseases to which there was less than normal resistance because of the starved condition of the peasants—took place in the rural districts of Ukraine, the North Caucasus, the Lower and Middle Volga and Central Asia. Foreign residents of Ukraine with whom I talked in the autumn of 1933 estimated the mortality at seven or eight million. A Communist acquaintance in Ukraine with whom I discussed the question

after I had returned from a trip of investigation in the regions which had been hardest hit, admitted in strictly private conversation that a million people, over and above the normal death rate, had probably perished there. However, he cast the blame for the catastrophe on the obstinacy of the peasants themselves and endeavored to divert attention from the corpses of the present to the hypothetical happy collective farmers of the future.

Officially there was no famine. For the controlled Soviet press and for the censor who kept a watchful eye on foreign press messages it simply did not exist. Correspondents could refer to "acute food shortage," "food stringency," "food deficit" (to cite a delightful euphemism which I noticed recently), "diseases due to malnutrition," etc. — phrases which, to the American reader, unversed in the art of reading between the lines of messages written under a dictatorship, would suggest that Ukraine and the North Caucasus were experiencing hard times something like those one would find in a city or county with a serious and prolonged local relief problem.

During the period of the famine the censorship was greatly aided by the introduction of a new ruling under which correspondents might not leave Moscow without submitting a detailed itinerary and obtaining special travel permission from the Commissariat for Foreign Affairs. Permissions were systematically withheld when it was a question of travelling in the rural regions of Ukraine and the North Caucasus. It was only with considerable difficulty that the sole French correspondent in Moscow obtained permission to meet M. Herriot, arriving on a goodwill tour in Odessa. The correspondent was strictly forbidden to stray off the route which had been marked out for Herriot and his party, from which, naturally, all unpleasant traces of famine had been carefully removed.

In view of this situation, resident correspondents in Moscow could not be expected to risk expulsion by writing famine stories on the basis of rumors which reached Moscow, but which might conceivably be greatly exaggerated, and which could not be verified by personal investigation. The story of the famine, which rivalled the famine of 1921-1922 in taking more victims than any other disaster since the World War, was effectively "killed." By the time permission to travel in the rural districts was again extended, in the autumn of 1933, a favorable new harvest had been reaped; the more ghastly visible traces of starva-

tion had been removed, the story of the famine, from a news stand point, no longer rated the front page. It had become ancient history.

Even history, however, has its uses and its lessons, and a brief description of what I found during a trip of investigation in three widely separated districts, one in the North Caucasus and two in Ukraina, may indicate how far the Soviet official taboo on the question of famine distorted outside opinion about the course of Russia's agricultural reorganization and the price which it was exacting.

In the Kavkazkaya district of the North Caucasus I found an appalling deterioration in the physical condition of a region that before the World War and after the recovery from revolution and civil war had been one of the most fertile in Russia. The herds of cattle and flocks of sheep had shrunk almost to nothing, the fields were fairly choked with weeds, the fierce, snapping dogs, always a feature of the typical Cossack village, had vanished, having died or been eaten up. In the first house which I entered, quite at random, there were three survivors, an older Cossack woman, her daughter, and the small baby of the latter. In that household there had been seven victims: the brother of the younger woman, his wife and five children. In one of the larger Cossack villages, Kazanskaya, the head of the local Soviet, a man named Nemov, assured me that peasant estimates of a mortality of a third or a half of the population were greatly exaggerated. "I can assure you," he said to me, "on the basis of our official figures, that only 850 died out of a former population of 8,000."

In Poltava, center of a formerly rich farming region in North ern Ukraina, the maid in the hotel where I stopped burst out with a vivid and quite unsolicited account of the terrible scenes which the town had lived through during the winter and spring: dying children clinging to dead parents, carts making their rounds and picking up the corpses lying in the streets. Her testimony was confirmed by scores of people with whom I talked in the town and in the surrounding villages.

The third district which I visited was in the sugar-beet country west of the Dnieper, in the neighborhood of Belaya Tserkov, southwest of Kiev. Here, in one village, Cherkass, which is a few miles south of Belaya Tserkov, I was told by the secretary of the local Soviet, an Ukrainian Young Communist named Fishenko, that about 600 of the village's 2,000 inhabitants had perished. Cherkass was much the worst place that I found.

An estimate of a mortality of ten percent — lower in the towns, slightly higher in the villages — for Ukraina, the North Caucasus and the other regions which suffered from famine would, I believe, be conservative and moderate. If we make allowance for a normal mortality of perhaps two and a half percent, this means that approximately four million people died as a result of famine. The phrases about "food stringency" and "diseases due to malnutrition" which could be reconciled with the Soviet taboo scarcely conveyed to the world an adequate idea of this situation.

Regarding the causes of the famine I obtained an enlightening expression of opinion from Mr. Mezhuiev, President of the Poltava District Soviet Executive Committee. Mr. Mezhuiev personally made the impression of being a humane and likable man who had done what he could, with quite inadequate means, to relieve some of the worst consequences of the famine by organizing a campaign to pick up the numerous orphaned children in Poltava and neighboring villages and place them with peasant families or in children's homes. It was all the more striking, therefore, to hear him admit that there had been a purposeful element in the famine. I had suggested, as diplomatically as possible, that the loss of life might have been averted if the requisitions of the peasants' grain had been suspended or if food had been imported from abroad. Mezhuiev replied deliberately, weighing his words carefully: "To have imported grain from abroad would have been injurious to our prestige. To have relaxed the requisitions would have meant that the peasants never would have worked hard again, because they would have always expected the Government to come to their aid. The Government went on the path which it chose consciously (*soznatelno*)."

On the spot the realities of the famine were not open to question. But in Moscow the game of pretending that it never occurred, for the benefit of the credulous foreign tourist, continued. An official in the Commissariat for Health, to whom I addressed an inquiry about the number of deaths from famine, probably taking me for a newly arrived visitor, blandly replied: "Such a question could only excite a smile. There have been no deaths from hunger at all."

## II. "FORCED LABOR"

A second very emphatic taboo concerns the widespread system of forced labor and the general technique of administrative re-

## III. "RELIGIOUS PERSECUTION"

A third taboo applies to any description of the persecution of religion in Russia. A foreign correspondent in Moscow is effectively quarantined against contact with the leaders of any Russian religious organization. Any communication to the foreign press of specific facts regarding the arrest of priests or ministers, the arbitrary closing of churches, or discrimination against persons professing religious belief, would lead to swift and merciless reprisals in the form of wholesale arrests and deportations. I was in Germany during an acute phase of the struggle between Reichsbischof Mueller and the opposition forces in the German Lutheran Church. I was amazed at the possibility which the opposition found to state its case in privately circulated pamphlets and in declarations from the pulpit, and also at the full reports on the situation which reached the foreign correspondents and were telegraphed abroad. Nothing of the kind could have occurred in Russia.

The fact of religious persecution, like the fact of the 1933 famine or the fact of the widespread resort to forced labor, is not open to serious question. In considering Soviet policy towards religion one can draw a line of distinction between some features of it which do not imply persecution and other aspects which clearly do. The confiscation of the landed property of the Church, the separation of Church and State, the elimination of religious teaching in the schools, the facilities given anti religious propaganda—such measures cannot reasonably be described as 'persecution'. On the other hand, the word can quite properly be applied to such familiar legislative and administrative practices as the refusal to permit the printing or importation of religious books, the suppression of practically all institutions for the training of priests and ministers of all creeds, the refusal to permit churches to carry on any kind of charitable or recreation activity among their members, the barring of children of priests from higher education, the frequent arbitrary closing of churches, and the arrest and deportation of priests, ministers and other persons who are active in religious work. I do not think that anyone familiar with the facts of Russian religious life today would fail to recognize that representatives of all religious faiths are being persecuted at least as vigorously as Dissenters and Catholics were persecuted under Charles II. But as a result of the Soviet taboo, and the



effective isolation of foreigners from contact with representatives of Russian religious bodies, the full story of the repressive aspects of the Soviet crusade against all forms of religion is not and cannot be written.

#### IV. "THE DEPRECIATED RUBLE"

Another taboo relates to that highly changeable and peculiar unit of currency, the Soviet ruble. Officially the ruble has remained as firm as the Rock of Gibraltar throughout the storms and stresses of the world financial crisis. Officially, the dollar now buys only 1.12 rubles as against 1.94 before the American devaluation. The unofficial facts in regard to the status of the ruble are substantially different from the official fiction. The free market rate in Moscow is not 1.12 rubles to the dollar but 40 rubles to the dollar; and still higher prices are quoted in out-of-the-way provincial towns where foreign currency of any kind is even more highly prized.

The depreciation in internal buying power has not been as great as the unofficial rate of exchange would suggest. But it would be extremely conservative to estimate that, taking account of those items in a typical Russian family budget which have advanced moderately as well as those, like food, which have risen in price fantastically, it takes five rubles today to buy what one ruble bought in 1928. During the same period of time paper ruble wages in the Soviet industries approximately doubled. Real wages in the Soviet Union, therefore, declined severely, much more heavily than in West European and American countries where the reduction in money wages was partially compensated by a fall in the cost of living.

But one finds no hint of this certainly relevant fact in any of the Soviet economic publications on the country's progress under planned economy. There the ruble is always treated as an unchanged unit of value, and the edifying moral is drawn that wages constantly rise in the Soviet Union while they constantly fall in the world of decaying capitalism. As for the dispatches of foreign correspondents stationed in Moscow, the censorship strongly deprecates, to put it mildly, any discussion of the Soviet currency and most of all any hint of the extent to which it has depreciated.

Obviously the official taboos on various subjects which prevail under dictatorial forms of government are a serious obstacle to ob-

jective political and economic study. Equally obviously, nothing particular can be done about them on the spot. Every government has the unquestionable right — unquestionable by foreigners, at any rate — to establish censorship regulations and to bar "undesirable aliens" from its territory. If the Soviet Government chooses to avail itself of the former right and to exercise the second in such a way as to create a systematic blacklist of all foreigners who express themselves critically or even merely too specifically — that is to say, without benefit of softening euphemisms — this is its own concern. But it is perhaps not without advantage for the uninitiated reader of books, magazine articles and news dispatches about Soviet Russia to be given a general idea of the taboos which exist in that country and which make the path of the student and the news gatherer thornier there than elsewhere.

# THE ROMAN CHURCH AND POLITICAL ACTION

*By Max Ascoli*

CATHOLIC dynasties have disappeared in Central and Western Europe; new democratic orders have been tried in the countries where those dynasties ruled; and after a short lapse of time they too have collapsed. The Center Party in Germany, the Popular Party in Italy are remembrances of the past; the Church herself consecrated their destruction. Yet the Catholic Church is so strong that she is able to make fanatical and all-pervasive dictatorships recognize her universal corporate entity. In representing Catholics who are subject to dictatorial rule she enjoys the privilege of collective bargaining, which is denied to every other national or international group. The ease with which she gives up old policies, the cool manner in which she leaves accumulated experiences and hard-won advantages to destruction when the fight appears hopeless, the capacity to "negotiate with the devil," as Pius XI put it — all this is a tremendous lesson to those inclined to identify a Catholic policy with *the* Catholic policy.

It is difficult to define the Catholic policy, especially in view of the enormous distance between the maximum and the minimum programs of Catholic political aspirations. Since the Reformation, the Roman Catholic Church has lost her character of a major propulsive force in international activity, and has been forced to adjust her dogmatism pragmatically, leaving the defense, the preservation, the expansion of Catholic interests to a careful weighing of historical and national circumstances. Between the minimum program of bare self defense and the maximum program of curialism there is room for so many shades, for so many replacements of the mobile barriers between religion and politics, that to discuss the Catholic policy as a whole seems a hopeless task. For example, in many parts of the wide Catholic world, and especially in certain non-Catholic countries, the faithful can live and die in the earnest belief that Catholicism is congenial to liberalism or to socialism. The Catholic Church offers its adherents a variety of plans for constructing the various national churches out of the materials that the land affords.

But if the Catholic policy is so manifold and hard to visualize, the Catholic world has a focus, Rome, in a country which is Italy,

in a continent which is Europe. If we center our attention upon Rome and the Italian situation in the European complex, it will perhaps be possible to understand something of Vatican policies in the region where Catholic interests are most concentrated and predominant. This is also the region where the liberal political order first crumbled, carrying with it in its ruin many political and spiritual traditions, but not the Catholic Church.

Possibly the future historians of the Church will describe as an era of tribulation and captivity the period in which Catholic forces in some European countries were organized into independent political parties. The dogmatic discipline of religion is out of tune with the electioneering game of politics. In a country where Catholics are in a minority, political organization by means of an independent party entails accepting the *status quo* and tempering the missionary activity. In a country where Catholics are in a majority, a Catholic political party means the acceptance of the fact that large Catholic masses have been organized into non-Christian and sometimes irreligious parties.

The splitting of mediæval Catholic unity into sovereign national states had already affected the Church, by placing her spiritual and social activity within controlled limits. The breaking up of the national unity within each state into a plurality of competitive political groups obliged the Catholic forces in some countries to enter the competition, to make their own bid for political power, to accept the possibility of being a fragment and a minority. But a party, even if organized for the defense of certain special groups, cannot avoid becoming national in its scope, and a Catholic party cannot avoid proposing itself as a prospective majority of the population. It cannot go too far to the right without losing its own share of organized labor, it cannot go too far to the left without endangering its conciliatory program of social peace. Hence it offers a good target to its enemies, who call it a state within the state. This center position, of equilibrium and mediation between opposite tendencies, can be mistaken for liberalism, and may lead many Catholic statesmen to a liberal state of mind or even a liberal belief, which is heresy for the Catholic creed. "I do not like the German Center," Pius X is reputed to have said, "because it is a political party." Pius X did not live long enough to witness the mismating of socialist and Catholic parties, the alliance with democrats and Masons, the sharing of power with men of every race and creed, the unavoidable contamination of

characters and impairment of prestige coming from a too-prolonged exercise of government. He did not see the German and Italian Catholics married for electoral purposes to the cause of proportional representation, which is the most powerful instrument for reaching a political *status quo* — so powerful, indeed, that a revolution is needed to bring about changes in the political scene. Against expedients and the acceptance of the *status quo*, men like Dr. Eberle in Germany and Cardinal Boggiano in Italy never ceased to raise their voices.

Yet, in spite of the uncongeniality between party system and Catholic outlook, the Catholic parties proved to be splendid instruments of efficient and particularized political activity. To the cleavage of mediæval Catholic unity into sovereign national states the Church answered with the Concordats, which were, according to the curialist writers, both a sacrifice of the Church in the interests of souls and a charitable concession by the Pontifex. To the splitting up of the national life into strongly organized political parties the Church answered with the Catholic parties; and the religious administration, which linked together the individual believers man by man, was an exceedingly powerful instrument for electoral canvassing. The Church was not responsible for the method of solving political problems by counting noses, but, the method having been introduced, she had to abstract some good from it. There was nothing to allure her in the dogma that national harmony is reached by giving free voice to discordant tendencies, but the result of it was that in several European countries Catholics could now have a voice of their own, powerful if well harmonized.

However, the nearer a country is to Rome the more easily can the Vatican become involved in the political activity of Catholic parties. What was needed in Berlin might be dangerous in Paris, and fatal in Rome, capital of the Kingdom of Italy. Pius X was keenly sensitive to this danger; he did not view sympathetically the establishment of Catholic political parties in France. His letter to the French Bishops about the *Sillon* is a fine document of clear-cut vision: "Civilization is not to be invented; the new City is not to be founded on the clouds." In *Il Fermo Proposito* he had already asserted that to the Church and to the Church alone belonged the leadership of the social forces for reform and human improvement; it was better to wait, in the deep belief in an immovable order of things, rather than to share that leadership or

assert it as the proxy of democracy. During his Pontificate, which lasted until the beginning of the World War, the Catholic forces in France and Italy appeared to prefer the system of the American Federation of Labor to that of the British Trade Unions for the expression of their electoral influence. It was held advisable to secure individual pledges from as many deputies or politicians as possible rather than to entrust the Catholic destinies to an army of professional Catholic politicians too many interests, too many old ambitions were at stake.

From Sicily to Normandy stretches a vast Latin country, diversified in many regions but almost undilutedly Catholic. There is the bulk of the material body of the Church, and there every shock reacts upon the Vatican. According to as shrewd an observer as Albert Thibaudet, the religious problem in France was until February 6, 1933, the watershed of national politics. But the heart of the Church is Italy, and Italy since 1870 has been a unified nation with a center which is the Bishopric of the Supreme Pontifex. For decades the Vatican fought in Italy a stubborn battle against reality, denying the existence of the Italian state, forbidding Catholic voters to go to the polls, viewing the Pope as a prisoner and the King as a usurper. But in spite of the century-old policy of the Church, the unity of Italy had been achieved and in a few decades proved to be enduring. The ban upon the participation of Catholics in national political life began to be lifted in special cases in 1890, these concessions were given Papal authority in 1905 in *Il Fermo Proposito*. In 1913 came the national scandal of the 'Patto Gentiloni' in which it was revealed that about 300 deputies, some of them radicals or Masons, had pledged themselves to defend Catholic interests in Parliament in exchange for Catholic votes. In 1912 Giolitti introduced universal suffrage, it could no longer be maintained that Italian political life was a usurpation by ruthless politicians, imposed upon a tamed Catholic people. In 1915 Italy entered the World War and put her unity to the final test. Socialist trade unions, revolutionary syndicates, political parties led by atheists or Jews were attracting the Catholic masses. The activities of a few militant Catholics in Parliament, various piecemeal arrangements, even the wartime participation of one or two Catholics in the government, were of little avail. The fire was near, the anti-clerical tradition of the *Risorgimento* was about to be crystallized. That was the crucial moment for the appearance of the Popular

Party. Now in Italy the Church seems to have little choice between being master of the state and being crushed by the state. A breathing spell had been provided by the unspoken agreement of 1871, in accordance with which the Italian Government and the Vatican established a wide moral gulf between themselves and ignored each other as much as possible. But the success of Italian unification had determined the necessity for the Popular Party, and the Party made its bid for the government of Italy.

Perhaps it was in order that it might advance slowly, utilizing every center of organized Catholic votes, that the Popular Party was strongly in favor of proportional representation. It was introduced in 1919. The first Chamber elected under this system always has something of the significance of a constituent assembly. Proportional representation permits the dial of Parliament to register shifts in public sentiment, carefully and without exaggerated leaps; and thanks to this scientific pedantry of democracy the parties which make a good showing can reasonably hope to maintain their power. After the elections of 1919 the Italian Popular Party appeared to be numerically one of the strongest, second only to the Socialist Party. Actually it was the strongest, because of Don Sturzo's leadership. If Italian democracy had worked successfully on this new broader basis, the two parties would have been destined to take over the government in coalition.

To the Vatican, mastery of Italy through the medium of a political party offered a terrific danger; but no danger was greater than that of having to tolerate collaboration with the socialists in the government. Such things have happened elsewhere, but in the Bishopric of the Supreme Pontifex they are unthinkable. There was widespread talk of a White International formed by a federation of Catholic political parties. Many of the leaders of the Popular Party had been tainted by that "Heresy of Heresies," the Modernistic movement. The Church was bound to veto the organization of democratic life in Italy, as for centuries she had been bound to veto Italian unity.

It can hardly be questioned that the Vatican hierarchies were highly disturbed by the Fascist uprising. Some Bishops, especially in the valley of the Po, expressed more than sympathetic views toward the new movement, but on the whole it would be incorrect to say that Fascism was helped or promoted by Vatican influences. Yet the more evidences the Fascist government gave of being a lasting régime, the more necessary it was for Catholic

policy to alter its plans. The socialistic and the democratic forces in Italy should have altered their plans too, but they could not, having been taken prisoners by the uncompromising character of their opposition. Fascism thus could deal individually with democrats or with socialists, seducing, humiliating, or destroying them. The constitutional and legal platform — the arena of the Italian political game — became the stake of the battle, and with the destruction of the platform all the anti Fascist political parties or groups, including the Popular Party, were finally crushed. But the situation of the organized and militant Catholics was different from that of any other group of militants. They were citizens of a universal organization, besides being citizens of a sovereign state. A modification in the structure of the state affecting their right of citizenship entitled the international organization to raise its voice. Sturzo's defeat becomes a good card in the hands of Cardinal Gasparri. Every change in national and international situations brings some bargaining power to the Church, which has to ratify in due form and time changes of régime or shifts of national boundaries. The rich crop of Concordats stipulated by Benedict XIV and Pius XI after the war is essentially an offspring of the peace treaties: the Church had to consecrate the new or enlarged states, to make the religious districts coincide with the new boundaries, in turn, she imposed her new policy of a clergy molded upon the various national frames, independent of the national governments, and strongly controlled by Rome. When the democratic state was overthrown in Italy, the revolution must have appeared to those who looked at it from the windows of the Vatican as a kind of providential warning.

The understanding between Italy and the Vatican, preserved since 1871, had been shaken by the Popular Party. And the Fascist leaders were not people to be satisfied with a return to unspoken principles and accepted traditions. They were omnivorous solvers of problems: social, demographic, international, economic. They therefore also set about solving the religious problem. In destroying the Popular Party and the Catholic trade unions they had contracted a debt to the Vatican, which had somehow to be paid. They had to supply the people with diversions and compensations for monopolizing political power. To the former socialists they offered the Labor Charter and the program of the Corporate State, to the disfranchised militant Catholics they offered the more substantial advantages of the Lateran Treaties.



With the Lateran Treaties the artificial conventional barrier which the Law of the *Guarentigie* had built between Italy and the Church vanished altogether. For the first time the Italian state and the Catholic Church faced each other without hiding behind veils. The conflict between the Church and Italy, which had hampered national unity for centuries, which had defeated the good will of Pius IX or of Gioberti, which had torn at the conscience of patriots of the *Risorgimento*, appeared again as the fundamental issue of Italian and Church politics. Italy can achieve statehood on the same level as any other national state only by stripping the Church of her economic interests and her political influence. The Church can be guaranteed independence and an adequate source of revenue only if organized as an anational state in central Italy. The Church and Italy had been able to live side by side for sixty years, protected by a double barrier of *as ifs*: for the Church, *as if* the kingdom of Italy were non-existent; for the Italian state, *as if* the Church were just a community of believers. Both *as ifs*, of course, were tainted with many concessions to reality.

Direct relations between Fascist Italy and the Catholic Church should logically have brought about a clash. But the Fascist régime needed an unction, and the Catholic Church needed, in the interest of Christian Italy, to establish legal relations with the new political system. There are laws in hell as well as in heaven, and it is always possible to establish norms of coördination between legal systems. By the Lateran Treaties the Church obtained far more than it would have been reasonable for her to demand in negotiations with previous Italian governments, but this time she could offer the recognition not only of the Kingdom of Italy but of the new Fascist state. Don Sturzo's losses had in some way to be repaid to Cardinal Gasparri. It would be idle to repeat here the long enumeration of what the Church gained. What is more important to note is that the Church obtained more in the legal documents than in actuality. It became a law of the state that marriages among Catholics be celebrated and ruled according to the Canon Law; the Church was thus given a powerful instrument for exerting her influence upon Catholic families. Religious education was extended to the secondary schools and entrusted to the Church. Those who were or had been members of the clergy were left under the jurisdiction of the Church, with different legal rights from those of the other citizens. This differ-

ence becomes a heavy impairment of the rights of unfrocked priests, who are forbidden to teach or to be in any way in contact with the public as state civil servants. There is even an article which guarantees the enforcement on Italian soil of disciplinary sentences upon those subject to Catholic discipline.

Many of these legal obligations have not received literal enforcement. Many professors who formerly were priests still teach in the universities or in the secondary schools. The Church's influence on the family and on the education of young people is far from being untrammelled. But the special situation of the clergy and other Church privileges have received formal recognition. In other words, the Church has been given a note which she will sometime cash. Since the days of Constantine, she has known how to treasure legal documents showing her right over kingdoms and territories; now she can also hoard legal rights over occupations and functions for future use. A few clods of earth suffice today to give a visible symbol to sovereignty, as the Vatican City proves, but the real fight tomorrow will turn on the control of occupations and functions. In an era of exasperated nationalism the Church has perhaps offered a solution for the evanescence of sovereignty in symbols, such as the theorists of pluralism never dreamt of.

On the other hand, by giving the Church pledges which have been partially observed, Mussolini has followed a policy in which he has been consistent since 1925. He wants to store up under ground all the forces which endanger the Italian state, so that a strong authoritarian government will be necessary for a long time. He wants to buttress up with ponderous reasons, full of historical meaning and menace, the accidents which carried him to power. He has brought to light Roman columns, and has buried dynamite all around. The explosion may be terrific should domestic turmoil arise, but as long as the stern hand is upon Italy, the danger makes for quiet. The grouping of economic interests set up by the Corporative State may degenerate into a scramble of clashing classes and occupations and groups, if ever the strong grasp on the corporative institutions is loosened. No government in recognizing Russia was as liberal as the Italian, but there is little danger of communistic propaganda in Italy so long as the Special Tribunal works. The Church has been given rights to influence the family and the educational system and to organize an incorruptible, all pervasive clergy, but against the

Church the Fascist government has erected the barrier of the last *as if*: *as if* the Fascist state were a liberal state hundreds of miles distant from the Vatican City (to use Mussolini's words), *as if* the two protagonists were not face to face, one of them enriched in prestige and in legal rights, the other ready to prevent by violence the literal enforcement of its own laws. A few weeks after signing the Vatican treaties, Mussolini created, with his forceful public opposition to clerical aspirations, the last barrier between Italy and the Vatican. It is a thin, sharp frame, and stands because it is buttressed by his physical person.

The Lateran Treaties were founded upon this gamble on an oncoming hour. In the "Catholic Action" Pius XI perfected the instrument for dealing with the new political situation. The era of parties was gone forever; the totalitarian state offered the opportunity for a totalitarian permeation by the Church. Christian principles could be made to irradiate in every sphere of life. With a clergy kept strictly in harmony with the peculiarities of the nation, and at the same time independent of the political government; with the Catholic Action able to carry Christian principles into the organization of economics, of labor, of education; and with the hierarchies directing from Rome these two correlated influences, new days of power seemed to be dawning for the Church in Italy. But the sharp dissent of the summer of 1931 burst out, with Fascist violence against Catholic institutions, followed by the harsh indictment of Pius XI against Fascist paganism, then the sudden silencing of the quarrel, and finally the agreement of September 2, 1931, in which the Catholic Action was allowed to organize "recreative and educational meetings with religious purposes."

The quarrel of 1931 was perhaps even more significant than the Lateran Treaties. The Fascist state and the Vatican realized that they were obliged to be silent, patient and peaceful. Close as they are, the hand of the one is too near the throat of the other. As in the period of the Law of the *Guarentigia*, and even more than then, forms and appearances have to be respected. Catholics have to go slowly and carefully, avoiding setting up anything resembling a political party line; the Fascist god is a jealous one. But the Church knows how to make good out of evil. When her territorial power was crushed, her spiritual power was immensely increased all over the world. At the present moment her loss of direct political influence in certain European countries is perhaps

giving her an even greater advantage the Church is put out of politics in the countries where politics is banished for every group but one. She can keep her hands clean from political contamination and enjoy the privilege of being the one solidly organized spiritual power that modern Cæsarisms have to respect. Some day the experiment of the sovereign national and nationalistic state, based on the distinction between religion and politics, will have to end, and politics is now exhausting itself in the effort to become a monopoly by one group. Perhaps the sovereign national state born after the Reformation is going through the last of its phases. Meantime the Church keeps intact her moral prestige and the hierarchic frame, her legal rights are well guarded, the doors of the spiritual world are wide open, her most loyal and able sons can one by one go to the center of political power and exert some influence and acquire some knowledge.

When it was apparent that the forces which manifested themselves in Italy were going to arise in several other European countries, the Church could easily adjust herself to a new situation in which parties were to be considered as gone forever, in which the Catholic Action was to be the instrument of totalitarian permeation. Violence and the infringement of pacts were to be expected, and testified to the extreme need for prudence and patience. "Permeate the people of the Reich with all the force of your love for God and for your neighbors," said Cardinal Schulte after the German Concordat. Then came the violence, the Catholic protests, the long negotiations which still, at the time this is written, are uncompleted. During the Saar elections the Catholic Church did not appear as an obstacle in the way of Nazi power, even if certain Jesuits like Father Messineo, in the *Civiltà Cattolica*, had thundered from the anti Nazi front.

Since the days of the Roman Empire it has always been Italy's tragic destiny that no Italian event is devoid of a direct universal bearing, because of Rome. When Mussolini reached Rome he perhaps did not give a glance at Saint Peter's dome, engrossed as he was by the vision of his new function in the imperial city. But Rome is a trap and the Vatican is the core of it. In Italy today there seems no break in the harmony. Mussolini at times speaks a devout language, books on religion written from scientific or liberal viewpoints are confiscated, the Pope is shown in text books and moving pictures as one of the pillars of Italian revolutionary conservatism, recently at a book exhibition a

group of bold seminarists overthrew the stands where the Bible of the Protestant biblical society was exposed. When Mussolini marched on Rome it did not enter his head that he was going to destroy democracy in the country where democracy was most intolerable to the Church. The delicate equilibrium in which Italian unity had been possible for sixty years, with an almost miraculous avoidance of the alternatives of clerical domination and rigid anti-clericalism, was overthrown. Mussolini did not know that in so doing he was pushing the Church toward a new policy.

The Church did not promote the new dictatorial régimes. Even though the leadership of the present Austrian government is Catholic, even though on October 20, 1934, the Pope received and blessed a delegation of Viennese policemen, recalling "the hard work they had done," violence is not practiced by militant Catholics. But when Catholic organization and leadership began to play a predominant rôle in Spain, the Catholic press, even the *Osservatore Romano* in the Vatican City, did not hesitate to praise the slaughter of the socialists during the Asturias uprising. The Church, like capitalism, can exert her power only through a secular arm. The authoritarian state may be or may become this arm.

No institution has a better right than the Church to turn her back on liberalism. From the day European liberalism was born the Church attacked it; during the period of scientific rationalism and of evolutionism the Church prepared the Syllabus. When the era of authority and dogmatism seemed to be hopelessly gone and within the Church mystical or practical reformers demanded an adjustment to the new times, the Church branded this movement as the Heresy of Heresies and pitilessly exiled the heretics beyond her walls. She waited for a day to come in Europe; this day seems to be coming. All these nationalistic movements arouse a thirst for the absolute that they cannot quench. The Catholic Church can satisfy it. The masses which seek expression in marching and parading may find a more joyful and meaningful satisfaction of collective impulses in the Eucharistic Congresses. In Luther's country an Austrian Catholic has proved that individualism and criticism are not essential to the German character; they had a chance to develop only when they were kept close in the hot-houses of Churches or universities. The tide of history does not seem to be in the line of the continuous, unavoidable progress toward democracy, as was believed in 1848.

The Church still is not a determining force in international events, but she is an organism capable of miraculous readjustments and transformations in the struggle to preserve herself. Her sphere of prestige is enormously broadened now that she can deal directly with sternly organized states while retaining all her connections with their citizens. She has ceased to be a potential federation of Catholic parties or of Catholic national groups. She is again the universal Church of Rome. She has multiplied the meaning of those three words, expressing their essence. She is more than ever universal, of a diversified universality, variously shaded in various countries distant from the Vatican, after her anti-modern and anti-modernistic campaigns, she is more the Church than ever, and she is strong because through obscure and unexpected events she has tightened her grip on Rome, Italy.

# PLANNING IN THE SOVIET UNION

*By V. V. Obolensky-Ossinsky*

IT IS natural enough that this should be a time when different methods, systems and schemes of economic planning are being broadly discussed, a time, too, when practical steps are actually being taken to realize some schemes which—in the view of their authors—are forms of partial social economic planning. Capitalistic countries are immersed in an unprecedented crisis. A cure for overproduction, mass unemployment and other accompanying phenomena is eagerly sought. Planning is the direct antithesis to economic anarchy—anarchy in investment, in production and in distribution. Hence some people in capitalist countries look to planning as a possible cure for all ills, and its modes and technique attract special interest. To these people it seems something like a brand new system of industrial machinery, a fresh technical invention, which only has to be installed to begin its wonders of salvation. We in the Soviet Union think that the matter is considerably more complicated than that.

In the Soviet Union economic planning is not regarded as a social mechanism by itself, but only as an essential part of a total, which conditionally may be called new economic machinery. Social economic planning, we think, presupposes a specific social background and cannot achieve its purpose when that background is lacking.<sup>1</sup>

The planning system in the U. S. S. R. is based on the socialization of all means of production, mass transportation and distribution, with all the concentration of control implicit in such socialization and the existence of proletarian rule. Abolition of classes, of class distinctions, of the social division of labor, is a natural corollary to these principles. Speculation, waste and parasitic consumption are eliminated. On the other hand, since socialized economy is based on the conscious coöperation of the working masses, one of the prerequisites of socialistic economy is a steady rise, not only in their culture and standard of living, but in their social perception and social activity. This calls for an immense development of education, of cultural work, of scientific research

<sup>1</sup> In our report to the World Economic Congress held in Amsterdam in 1931 by the Industrial Relations Association we have set forth this background in detail. It may be found in the American edition of the proceedings, entitled "Social Economic Planning in the U. S. S. R."

and its technical applications This is the essential background of social economic planning as it is in operation in the U S S R

Planning is one of the life functions of socialist economy precisely because socialism is — to use a classic definition — conscious control of associated producers over their social production But this conscious control is not represented by planning only It also is a permanent, regular checking up of the production process Accounting and control by all the people" is the famous formula of Lenin, which he considered to be another definition of socialism Furthermore, conscious control of the production process finds its expression in an adequate form of economic leadership and industrial management — concentrated, powerful and flexible enough to direct the whole 'mechanism' in full coordination Conscious control by associated producers implies that the working masses be so organized that the making of plans, the fulfillment of those plans, the checking up of the results, the building up of adequate leadership, etc., result from their own collective work and effort In short, planning is an essential of socialist economy, but socialist economy is not planned economy only

Plans are not only stern, exact formulations of economic undertakings based on appraisals of objective data They are also programs of action, calling into being new potentialities of a new economic system and of a new social class which has come to power Plans may be — for one reason or another — overfulfilled in one section and underfulfilled in another This may result from a development of the potentialities to an undreamed-of degree, or from special difficulties encountered in a particular field The deciding measure of a plan's success is the general balance of its fulfillment and whether or not it has realized its fundamental ideas A plan is no dead fetish It is a living program, and hence may be partially changed while it is under way So far these changes in the Soviet plans have been only in the direction of a greater accentuation of the 'general line'

I state this in advance in order to clear away some of the current misunderstandings about Soviet planning These misconceptions include the idea of the Soviet economic system as simply one of 'planned economy,' the idea that planning is a purely technical problem, the idea that plans are not real plans unless every detail of fulfillment checks absolutely with the original blue print, and so forth

And now to the concrete subject of how plans are made in the



U. S. S. R. and — as a characteristic and up-to-date example — how the second five year plan, or *pyatiletka*, was worked out.

## II

Each economic plan, considered from the general point of view, is a comparison of what is in existence today and what has to be reached by some specified date or dates. To build up a plan, therefore, the most exact possible summary of the existing situation is a necessary prerequisite. The greater the scope and detail of the plan, the broader has to be its statistical basis. Thus a widely developed and centralized statistical organization is one of the essential formal prerequisites to regular planning, as well as to regular checking up of its fulfillment. This necessity usually is not fully appreciated by foreign observers.

Naturally, then, the development of statistical work kept step with the development of planning in the U. S. S. R., and *vice versa*. In course of time the statistical and the planning organizations became two corresponding and coöperating bodies, and eventually two parts of the same body. The Central Statistical Administration is now an autonomous section of the State Planning Commission (*Gosplan*) of the U. S. S. R.

Statistical schedules are adapted to planning schedules and, still more, planning schedules are adapted to statistical schedules. Statistical and accounting schedules are standardized. Statistical reporting on specific dates is made obligatory for each economic unit of the country. Each unit reports to its central directing or regulating body — all collective farms to the Department of Agriculture, all industrial plants to the Commissariats of Heavy Industries or Light Industries, all coöperative stores to the Central Union of Consumers Coöperative Societies, etc. A general summary of these data is made by the Central Statistical Administration, which is at the same time the central bureau of census and a body which plans, regulates and inspects the statistical work of all departments. Annual reports in standardized form and based upon bookkeeping entries are now deemed the most reliable source of information. They were extensively used as a basis for the working out of the second five year plan (1933-37) and of the annual plans in the most recent years. The first five year plan could not be based on such excellent material; its statistical basis was more modest, although in itself very great.

Building up the broad statistical basis and summarizing the

analytical comments on it are important preparatory steps. But the decisive steps are taken later by the central political organizations and the central government. These have at their disposal not only all the information collected by the statistical system and by the *Gosplan*, but also the vast information and day-to-day experience that come from controlling and managing the whole economic mechanism. It must be borne in mind that the Soviet Government is, so to speak, an economic government *par excellence*. Economic problems in general attract the chief attention of the press and the people in the U S S R. In addition to all other material, then, the government constantly has at hand the proposals, suggestions, and opinions of a score of local political, municipal, professional, scientific and other organizations concerning the scope and content of the future plan.

Thus when the preparatory work is finished and the materials for the five year plan are reported by the *Gosplan*, the government is fully prepared to make its decisions on the plan's leading aims and general limit figures. "Leading aims" are the general ideas and fundamental purposes to be realized in the planned period. "General limit figures" are the same expressed in the form of a few data.

The leading aims of the first five year plan could be briefly expressed as having been to lay the foundations of a socialistic economy through the industrialization of the country (implying its electrification and especially the development of an industry producing the means of production), to reequip agriculture, to socialize industry and agriculture, and to raise the standards of living of the workers.

The leading aims of the second five year plan are development to complete socialist economy through a continuation of the technical reconstruction of industry and agriculture, the full socialization of the latter, the extensive development of light industries and socialized commerce, with a resultant broad elevation of the workers' standard of living, the development of industries in remote sections of the Union, and the reeducation of the people to socialist habits and ideas.

The general limit figures of the second five year plan (in their final form adopted by the XVII Congress of the Communist Party of the U S S R) include 1. General amount of capital investments during the second five year period, 133 billions of rubles (1.6 times more than in the first plan, but investments in

light industries have to increase 3.6 times). 2. Increase of industrial production from 1932 to 1937 by 114 percent (in Group A, heavy industries, by 97 percent; and in Group B, light industries, by 134 percent). 3. Annual ratio of increase in industrial production, 16.5 percent, but for Group A 14.5 percent and for Group B 18.5 percent; this rate of increase was deliberately fixed under the level of the first five year plan (23.5 percent per annum) in order to make easier the fulfillment of the plan and create reserve capacities. 4. Increase of production of consumers goods by up to as much as twice, and doubling of the per capita consumption. 5. Increase of the productivity of labor in large-scale industry by 63 percent, reduction of retail prices by 35 percent, etc.

### III

After the government had adopted leading aims and general limit figures for the second *pyatiletka* in March 1932, the *Gosplan* could work out and publish, just a month later, the "General Directives for Drawing Up the Second Five Year Plan." Later in 1932 were published four issues of a special instruction book, "System of Indices and Schedule Forms for Drawing Up the Second Five Year Plan." This was chiefly prepared by statistical workers.

According to the "General Directives," the plan on the one hand had to be developed by the planning bodies of the various departments and organizations. And on the other hand it had to be discussed and worked out in detail by geographic units; this was the job of the regional or provincial planning commissions attached to the corresponding administrative bodies. The Directives provided that by July 10, 1932, detailed plans had to be delivered to the *Gosplan* by the departments concerned. And by July 20 detailed regional plans had to be delivered by the local planning commissions. After that, the *Gosplan* had to convoke 24 special conferences, in which representatives of scientific institutions, economic and cultural departments, local planning bodies and the most important single plants had to take part. The subjects at some of the conferences were: the geographic relocation of productive forces; electrification; the fuel problem; the chemical industry; geologic and geodetic surveys; specialization and coöperation in machine building; railroad transportation; water transportation; etc. These conferences had to finish their work by the end of August 1932, and before January 1933 the *Gosplan* had

to submit the final draft of the second five year plan for the approbation of the government. This procedure was carried out with some changes in the original program and with some delay in time schedules. For example, the period assigned for working out detailed plans by regions and branches proved to be too short, in as much as the 'directives' prescribed that all sorts of social organizations and the organized workers at the plants were to participate in the discussions.

A broad practical discussion and redrafting of local and unit plans was the result. Millions of people — literally — took part in the discussion and working out of plans. Each single plant, with practically no exception, drew up its own *pyatiletka*. Plants, farms, etc., worked out counter plans proposing changes in the schedules drafted by the central planning bodies, in an overwhelming majority of cases these changes were in the direction of an increase of the schedules.

From the other side, participation by scientific and technical institutions and associations exceeded all expectations. The conferences of the *Gosplan* were attended by thousands of specialists in all branches of knowledge. The proceedings were printed in many volumes (for instance, the proceedings of the conference on electrification embrace twelve volumes of very interesting material). Special studies were started by research institutes. The first volume of the 'Second Five Year Plan' includes as one of its appendices a list of 220 papers and reports submitted by foremost scientists and technicians on different special subjects. The Academy of Sciences took part in this extensive work.

Although a detailed draft of the second five year plan was almost ready by the end of 1932,<sup>1</sup> it nevertheless was found advisable to postpone the final adoption of the new *pyatiletka* to the beginning of 1934, by which time it had reached a degree of perfection considerably surpassing that of the first five year plan. By January 1934 almost all economic units had ready their thoroughly discussed, defined and balanced plans. To all practical purposes the second five year plan thus had become an all embracing pyramid of plans, beginning in single units and crowned by the *Gosplan* draft. A final discussion, in the press and in conferences, preceded the final adoption of the plan by the Party Congress in January 1934. Then the plan was definitely launched toward realization.

<sup>1</sup> The annual plan for 1933 was worked out in coordination with this draft.

## IV

The second five year plan as published by the *Gosplan* consists of two volumes. The first is devoted to general tables and plans, subdivided according to branches of economic and cultural life. The second contains the plans for different regions, subdivided geographically. The plan further consists of explanatory text and planning tables. The leading ideas are laid down in words; the concrete undertakings are formulated in exact numbers. The tabulation covers the last year preceding the five year period (1932) and each of the subsequent five years separately. Figures are given in volume and in value (prices).

The general subdivisions of the first part of the plan are as follows:

1. General summary tables.
2. Plan of capital investments.
3. Production of industry.
4. Agriculture.
5. Transportation and communications.
6. Basic norms of production technique.
7. Population,<sup>\*</sup> labor and trained working forces.
8. Plan of reduction in costs of production.
9. Goods turnover or trade circulation.
10. Municipal development and housing conditions.
11. Public health.
12. Education.
13. Finances.

The list shows, by the way, that public health service and educational work (all the cultural life of the country) are included in the plan, just as they were included in the first five year plan. It must be remembered that in the U. S. S. R. medical and sanitary care is not a matter of private initiative and private patronage. The state, municipal organs and — to an enormous extent — the professional organizations of the workers, sponsor and support the various hospitals, sanatoria and other institutions. The health of the people and especially of productive workers is deemed not to be a matter of private concern, in the same sense that education is considered a public and not a private problem.

The plans for municipal development of housing construction represent combined plans of what the municipalities (and so-called housing coöperatives) intend to do and what the central govern-

<sup>\*</sup> The figures of population, are, of course, estimates of its expected growth.

ment is helping them to accomplish by special subventions granted on specific conditions

Similarly, the last section — finances — is a plan coördinating the financial activities of the state, of municipalities, of professional organizations (which collect the social insurance fees paid by economic units and subsequently use them for medical institutions etc) and, finally, of the banks

So all phases of economic and cultural life are included in the plan. But not all are directly planned, controlled and regulated by the central government. This work is done also by municipalities, cooperative organizations, trade unions, etc. Their plans participate in the general system as agreements with the central authorities, and in that way get the force of law.

Turning back to the first part of the list, the part which includes the economic plans in the proper sense, we see that after the introductory tabulation a special section is devoted to capital investments. This section is worked out very extensively. A special list, specifying all the most important new projects, is attached to this part of the plan. Costs of construction, capacity of a plant or length of a road, date of the beginning of construction work, finishing date, date of putting in operation, are among the chief points covered in these specifications. No new project of construction will be adopted if necessary technical, economic and financial foundations are lacking.

Then follows the section on industrial production, appraised both in 1926-27 prices and in volume, branch by branch. Then comes agriculture (sown area, expected yields, gross production in kind and in value, supply of tractors, fertilizers, plans for agronomic improvements, numbers of livestock, expected yield of milk and of meat per livestock unit, etc). Next is the plan for transportation and communications, including freight and passenger turnover on railroads, length of new railroads to be built, extent of new equipment of railroads with modern facilities, etc. Corresponding data follow for water and automotive transportation, aviation, telegraph, telephones, etc.

And then comes another most interesting and important section of the plan, entitled "Norms of Production Technique." This is a part which was almost entirely lacking in the first five year plan. Its aim is to define, first, what grade of technical perfection a specific branch has to reach, secondly, to what extent the existing technical apparatus has to be used, third — con-

nected with the first two — what the quality of the products should be. For instance, the norms in production technique for the coal industry include: first, norms of mechanization of the different stages of coal production; secondly, norms of the monthly output per worker in different coal-fields; and thirdly, the norms for the contents of ash and sulphur in coaking coals of individual mining regions. Analogous technical norms, worked out by the best specialists, are drawn up for every branch of production.

The next section of the plan includes all the planned data about the number of workers (by branches), their training, their working conditions, their living conditions, their consumption (in kind), their wages, the productivity of their labor, and other data.

Then comes a basic part of the plan, analogous to the section setting forth the technical norms, namely the plan for the reduction of production costs. This section, closely connected with the preceding two, is subdivided by costs and by branches of economic life (construction, transportation and commerce are included).

The plan covering turnover of goods received particular attention and is extensively developed. This is a consequence of the importance laid upon improving the workers' standards of life (involving the doubling of consumption), which implies the development of trade — socialized trade — and improvement of service in commerce and in the system of public restaurants. A score of tables defines the different steps to be taken in these directions.

v

The contents of a plan are not fully visible on the surface. The various tables dealing with capital investments, production, goods turnover, consumption, etc., do not directly reveal the consciously determined coördination which exists between them. Yet that coördination is the "soul" of a plan. A social economic plan is good if production is made proportionate to consumption, if capital investments are made proportionate to the production of capital goods, the supply of labor, the mechanical equipment, etc. An increase in wages in socialist economy has to be balanced with an increase of the productivity of labor. A reduction in costs has to be balanced with a rise in labor productivity. And so on, and so on.

So the system of tables, which is the external and practical ex-

pression of a social economic plan, has a backbone hidden under the surface. These are the different "balances" and "synthetic indices," which may remain in the files of the *Gosplan*, which do not have to be published and do not become law, but without which the plan cannot reach real perfection.

Following are the most important "balances" made by the *Gosplan* while the second *pyatiletka* was in course of preparation

- 1 Balance of consumption and accumulation
- 2 Balance of the productive equipment (production and imports of different equipment, and distribution, by branches of economic life)
- 3 Electro-energetic balance (production of electric power, and distribution, by consumers)
- 4 Fuel balance (output of coal, oil, peat and wood fuel, and distribution, by consumers and regions)
- 5 Balance of metals
- 6 Balance of construction materials
- 7 Balance of raw materials for light and food industries
- 8 Balance of driving power in agriculture (apportionment of the plans for the development of agriculture to the amount of live and mechanical power)
- 9 Balance of labor and trained workers (and their apportionment to the needs of different branches of production, of course this is the *expected* distribution of labor forces, which will be economically stimulated and not prescribed to individual workers)
- 10 Plan of increase of real wages
- 11 The unified financial plan (balance of the incomes and expenses of institutions and organizations involved in the plan)

These are the so called "balances," that is to say, calculations of the income expense type. But in addition so called "synthetic indices" are used, which establish a specific coordination between two moving indices, for instance, the correlation of increase in wages and in productivity of labor, the correlation of increase in productivity of labor and the decrease in costs of production, and others.

The *Gosplan* is not alone in drawing up its general balances. Single branches of industry also draw up special balances, dealing in detail with single products. All this work has undergone wide development since the days when the first five year plan was prepared. Balancing has become the general method of shaping the internal structure of plans, of apportioning their component parts.

On the other hand, balances cannot become the embodiment of a social economic plan. The exaggerated idea that social economic



plans should be transformed into synthetic balances of national economy, into summarizing balance sheets of all economic factors, met with no success. It not only is useless practically, but might have a confusing effect on the formulation of plans and cause numerous misunderstandings.

## VI

Such are, in brief, the ways and means by which social economic plans are worked out in the U. S. S. R. at the present time.

I hope that this short review has sufficiently demonstrated to the reader that the introduction of social economic planning is a far more complicated proposition than many people in Europe and the United States imagine. Only what the first *pyatiletka* was, and still more what the second one is, and what each separate annual Soviet plan is, can really be called a social economic plan. Only plans like these, taken in their proper social background and in connection with machinery for appliance, can become — as in the Soviet Union they really have become — the factors of a speedy technical and economic progress and the guarantee of success.

Study of the experience with social economic planning in the U. S. S. R. may be of importance to foreign observers. But this importance does not relate to a possible utilization of Soviet planning methods in countries having a heterogeneous economic system. The real interest of any such study, I think, consists in getting an idea of the features, development and prospects of an entirely different economic and social system.

## MAHAN'S "THE PROBLEM OF ASIA"

By Tyler Dennett

THE PROBLEM OF ASIA AND ITS EFFECT UPON INTERNATIONAL POLICIES By ALFRED THAYER MAHAN Boston Little, 1900

CAPTAIN ALFRED THAYER MAHAN'S "The Problem of Asia" was published in 1900. Viewed in the perspective of thirty five years it takes on the attributes of an intellectual landmark. Mahan had retired from the navy in 1896, but had been recalled to serve on the board of naval strategy during the Spanish American War. His fame rested securely upon a series of well known works, beginning with "The Influence of Sea Power upon History, 1660-1783," published in 1890. He was rapidly becoming one of those characters so much revered in the United States, an "authority." Although only sixty, he was beginning to pontificate. An atmosphere of omniscience, of which scholars and teachers may well beware, pervades "The Problem of Asia."

"The Problem of Asia" consists of five chapters. The first three were prepared in the autumn and winter of 1899 after Mahan's return from the so-called Peace Conference at The Hague which he had attended as a member of the United States delegation. These chapters were published as articles in *Harper's New Monthly Magazine* in the spring of 1900, in the interval between John Hay's "open door" notes of September 1899 and the siege of the Peking Legations which marked the climax of the Boxer Rebellion. The fourth chapter, entitled "Effect of Asiatic Conditions upon World Politics," published in November as an article in *The North American Review*, was written in August, apparently just prior to the relief of the Legations. There was also a fifth chapter, less germane to the main topic of the book, entitled "Merits of the Transvaal Dispute."

Though there is little documentary evidence to support the assertion, it seems probable that Mahan was seeing Secretary of State John Hay rather frequently during the period in which these essays were in course of preparation. It is also probable that he enjoyed the Secretary's confidence to such an extent as to have become broadly familiar with the information which McKinley

and Hay possessed and which guided them in their difficult negotiations with the Powers regarding China. Many paragraphs recall sentiments which Hay was contemporaneously writing to Henry Adams, Joseph Choate, Henry White, Alvey A. Adee, and others. Indeed we probably do no one an injustice in regarding "The Problem of Asia" as a summary of the views regarding the Far East current in the best-informed official circles in Washington during the first part of the year 1900. One should recall, furthermore, that just before writing these articles Mahan had passed through London, where he was highly regarded as an authority on naval history and strategy. Prior to that he had spent several weeks at The Hague in frequent converse with British delegates to the so-called Peace Conference, which marked not the end of a war but rather, as we view it today, the beginning of an era of wars. Many influential Englishmen doubtless knew and agreed with Mahan's views. The book, thus placed in its contemporary setting, is doubly interesting and significant.

In a brief preface, Mahan defined the objectives of his study. He proposed, first, to isolate the great "permanent facts and factors" implicit in the problem of Asia: and, second, to discuss the influence which these factors would exert on the evolution of political events. While outwardly admitting that it might not be possible "to forecast the precise combinations into which, through the operation of unforeseen events, these various factors will ultimately fall," he said that it was still possible to ascertain "at least the existence and character of certain determinative features and the relations subsisting between them." Disclaiming any gift of prophecy, the Captain proposed nevertheless to prophesy.

What, in the view of Mahan and his contemporaries, were the permanent features of the political situation in Asia?

The politically significant portion of Asia, according to Mahan, was an area reaching from China to the Mediterranean between the thirtieth and fortieth parallels of latitude. This broad belt, highly populated in the aggregate, Mahan considered to have an importance far outweighing that of the equatorial zone and the southern hemisphere. It was significant both because of its geographical position and because it was a sort of political no man's land. It had been and was destined to be a disputed area between Russia, the great land Power, and the sea Powers. In the category of sea Powers, which he also called Teutonic Powers, Mahan placed

Great Britain, Germany, and the United States To these he added, not only as a sea Power, but also as a Teutonic Power, Japan, then passing through its first phase of westernization

The outstanding characteristic of this no man's land was its static condition Asia seemed to Mahan to lack regenerative capacity He anticipated nothing in the way of progress toward modern, Christian civilization, save as the impulse came from the western world Asia thus constituted the white man's burden, his responsibility, but also his opportunity

The siege of the Peking Legations, in Mahan's eyes, confirmed the conclusions he had reached before the Boxer Uprising A few days before the relief of the Legations, he wrote, "as a rule, the Oriental, whether nation or individual, does not change What has happened this year in China is just as likely, unless fear exercise its constraining force, to recur in the East now as it was a thousand years ago, because the East does not progress" Progress, according to Mahan, implied industrial and commercial development It meant the establishment of political institutions patterned after those of Europe and North America And it also meant the adoption of Christianity Upon the last named he laid great emphasis That Asia was on the eve of industrial, political and social revolution Mahan had not the faintest notion He was writing under the spell of Rudyard Kipling

Mahan excepted Japan from his general view of Asia Here was a compact, insular people which could be admitted, "a willing convert," to the "European family" "It is well worthy of consideration whether we may not see in Japan the prepared soil, whence the grain of mustard seed, having taken root, may spring up and grow to the great trees, the view of which may move the continental communities of Asia to seek the same regenerating force for their own renewal" Mahan's language throughout these essays is inclined toward the Biblical Japan was becoming Teutonized and Mahan could see in the process only auguries bright for the future Perhaps Japan would in time become the instrument of Providence for the spiritual and material regeneration of Asia

Not only was Asia culturally static, it was also politically unstable — subject to the rivalry of external influences "In Europe and in America territorial occupancy," in Mahan's opinion, was "now politically fixed and guaranteed, so far as broad lines are concerned" Australasia and Africa had been par-

tioned. The only large region still politically unstable, "and therefore open to serious change by foreign influences," was that portion of Asia lying between the thirtieth and fortieth parallels of latitude, which included the greater part of "Turkey in Asia, of Persia, or Afghanistan, and of the Chinese Empire, including much of the valley of the Yangtze-Kiang, the great central region of China." Such were the broad outlines of Mahan's world — eleven years before the collapse of the Manchu dynasty and the establishment of a Republic in China, seventeen years before the Russian Revolution, nineteen years before the Peace Settlement of Paris, twenty years before the Treaty of Sèvres.

"The first law of states, as of men," declared Mahan, "is self-preservation." Self-preservation implied growth, the latter being a "property of healthful life." Growth might take the form of territorial expansion, or it might be manifested as commercial or financial expansion. The result in either event would be ever-widening spheres of interest or dominion, until the impact of one upon another causes war.

Europe, although static as to boundaries and political institutions, seemed to Mahan to be instinct with life and vitality. Like all healthy organisms, European states must expand. And where could this expansive urge find expression so well as in the broad belt of territory beginning at the eastern shore of the Mediterranean and stretching across Asia to the China Sea?

The essence of Russian policy was territorial expansion and commercial monopoly. For Russian statesmen, one great objective was the acquisition of warm water ports in the Mediterranean and in the Far East. Another was the exclusion of economic competitors from the lands under their dominion. The trading nations, on the contrary, wished to buy and sell in a free market. "Each alike will desire that it, individually, have its equal chance in the field, unhindered by the inimical influence of a foreign power, resting not upon fair competition, but upon force, whether exerted by open act or by secret pressure. Nothing is more dreaded, nor will be more resented — more productive of quarrel — than such interposition." Presumably Captain Mahan meant the interposition of the military power of one nation on behalf of its nationals with a view to upsetting the balance in a free market.

In two respects there seemed to Captain Mahan to be a community of interest among the naval Powers: their interest re-

quired them individually and collectively to oppose the advance of Russia toward warm water anywhere in the Near East or in the Yangtze Valley, as trading nations they had a stake in maintaining peace, a stake so large that Mahan believed it unlikely that they would do other than join forces to preserve peace in Asia. He expected that in China, should necessity arise, the four states would be found following a common line of action based upon naval power. Each state, as he viewed it, was well prepared. Germany had Kiaochau. Japan was strategically placed. England had a base at Hongkong. And the United States in the Philippines had had 'we may almost say forced upon her a similarly secure base."

Viewed in retrospect, thirty five years later, how different is the picture. The proposed Anglo-German alliance, which Mahan favored, resulted in the so-called Yangtze Agreement of 1902, which in turn was wrecked on the twin rocks of Anglo-German trade competition and Russo-German political ambitions. The Anglo-Japanese alliance of 1902 was wrecked by Anglo-Japanese commercial rivalry and by the opposition of the British Dominions. In Washington it had become apparent by 1920 that co-operation with Japan to secure peace in China would always fail because of Japan's published desire to dominate China both politically and commercially. Germany has lost her base at Kiaochau. Neither Hongkong nor the Philippines are now regarded as strategically located. Japan, not Russia, is the aggressor.

Of the three possible regenerative forces for Asia — Slavonic, Asiatic, and Teutonic — Mahan had no doubt whatever as to the greater promise of the Teutonic. The experience of the last twenty years leaves us much in doubt, not only as to the essential unity of spirit or interest among the so-called "Teutonic Powers," but also as to their competence to direct the affairs of Asia. As for numbering Japan with them, that is as fantastic in the West as it is resented in Japan.

Mahan felt that the problem of Asia would be solved by the establishment of political equilibrium. Russia must not be permitted to advance in the Near East since it would threaten the trade routes of the Teutonic Powers. But she could not be bottled up. Some compensation must be allowed in the Far East. Mahan favored the Russian advance in Manchuria. He also proposed that the Chinese capital be moved to the Yangtze, where it could

be placed under the direct influence of the naval Powers to which he had assigned the Yangtze Valley. The eventual break-up of China he regarded as "inevitable." He saw no probable danger of Japanese aggression, feeling that the limited population of Japan must serve to limit her territorial ambitions.

China, particularly the Yangtze Valley, seemed to Mahan the great and legitimate heart's desire for the trading nations. Their objective there was two-fold. On the one hand, they must prevent preponderant control by any external state or by any group of such states; on the other hand, there must be an open door for the free exchanges of both commerce and thought and for investment. In short, Mahan endorsed the Hay Open Door policy and appealed for popular support. About the integrity of China doctrine of July 3, 1900, he was less emphatic. Spheres of influence and the Open Door seemed to him not in any way inconsistent.

Captain Mahan was addressing his essays primarily to an American public. He appealed to its well-known sense of philanthropy to support Christian missions as a civilizing influence. He seemed to feel that while for the moment the American commercial stake in China was relatively little, it would eventually grow as the mustard seed in fertile ground. The United States, therefore, must join with Germany, Japan and England — especially the latter — in the use of such force as might be necessary both to control China and to check Russia. The United States must not merely join; it must do its share. This obligation in turn required a larger navy, for the value of which he advanced his well-known arguments. The traditional unwillingness of Irish and German immigrants to support a policy of coöperation with England troubled him, as it troubled John Hay. Perhaps it was at the latter's request that he inserted into his fourth chapter an appeal to Americans one and all to forget ancient grudges, and to sink racial prejudices in the support of a program which seemed to him supremely beneficial to the welfare of the world. Most of all he counted upon Anglo-American coöperation.

With Mahan's assertion that self preservation is the first law of states none will disagree. But the assumption that economic competitors desire only a free field and no favors seems singularly naïve. Commerce appears to have been viewed by Captain Mahan as a sporting contest governed by Queensbury rules. In fact, commerce was and is not a game, but a struggle for power

and profit. The only competitor who desires a free field and no favor is the one who is able to enter that field and sell at a profit. The last thing desired by a losing competitor is a free field. It is as natural for the latter to turn to his government and beg for its interposition to offset his disadvantage as it is for the savage to pray for rain. Furthermore, it is almost inevitable that the intervention will be forthcoming in due time, if not, the losing trader will begin to run after other and stronger political gods. He will work for the overthrow of the political party, or the government, which is deaf to his entreaty.

The interest of a commercial state," observes Mahan, as though it were an axiom, "is peace." Not necessarily, the interest of a commercial state which is able to make a profit and hold an ever expanding market is peace. The interest of a losing commercial state is quite the contrary.

Mahan appears to have rested his economic and political theories on the assumption that in commercial states the conditions for the manufacture and exchange of goods were equal and that a free market would be one in which all competitors, regardless of where they secured their raw materials, regardless of the water haul, the skill of their workmen, and the quality of their competing machines, would be equal. He overlooked that the manufacturer with antiquated machinery would first seek from his government the interposition of its gun boats to offset his economic disadvantages. He seems not to have realized that the manufacturer who is able to induce his government to restore to him the profits would continue to take the profits out of the business rather than to put them into the renovation of his plant. The intervention of a government in what might otherwise seem a free market is very likely to operate to bolster up the inefficient competitor and in time to require still more extended applications of some kind of aid. The more thoroughly republican the form of government, the more certain it is that in the eyes of the losing competitor the military power of the government will seem the ever present help in time of trouble. To the losing merchant no field is likely to appear fair in which he cannot sell his goods at a profit.

After thirty five years, what is left of the Mahan thesis regarding Asia? His major premises were wrong and his facts were wrong. Europe was not static as to boundaries, economic conditions, or political institutions. Asia was not static internally,



from either the political or economic point of view. Japan has replaced Russia as the aggressor in Asia. Germany is no factor in Asia at all. Japan and England, no longer with a community of interest against Russia, no longer allies, are commercial rivals around the world. England has again and again in the last thirty-five years gone on record as unwilling to use force to preserve her position in China. She teeters between coöperation with Japan, as in the Anglo-Japanese Alliance, and coöperation with the United States, as in the existing naval negotiations. The British have no policy, followed with general consistency year after year, sufficiently stable to become a basis for Anglo-American co-operation. Both England and the United States desire peace in Asia; but they are commercial rivals. As for the United States, the rich commercial rewards in Asia foreseen by Mahan have not materialized. The American people heeded Mahan's advice and built a navy even beyond any limit suggested by him in 1900, but that navy is not yet large enough to assure security for American interests in Asia. Its cost, thus far, is out of proportion to the value of any treasure it has to protect.

It is often observed that a system of government in which policies must be referred to the voters ultimately for their approval has the disadvantage that it is difficult if not impossible to undertake preventive measures. Democracies have little foresight. This is especially notable in the history of American plans for military defense. A re-reading of "The Problem of Asia" leads directly to consideration of the broad question of the value of preventive measures. Sometimes they are shown to have been wise and prudent; at other times they have been revealed as provocative and futile. Preventive measures for defense of trade are not likely to be sound when it is impossible to foresee the conditions under which they will be employed. Mahan was quite wrong in his forecasts both as to the stability of Europe and as to the deficiency of Asia in regenerative power. Skilled in naval strategy, he was deficient in the field of economics, nor did he seem to apprehend the processes of political development. But who, in 1900, did? What Mahan sought to prevent did not occur; what occurred could not have been prevented by any measures he devised. It is true that Russia was stopped in Manchuria by a sea Power, but it was the Russian revolution, not Japan, which has so altered the equation that Mahan's forecast is not true today and not likely to be true in this generation. In the next

generation other political revolutions which now seem to us not more probable than they seemed to Mahan thirty-five years ago may so alter the situation that preventive measures devised today may seem as quaint then as Mahan's do now

Mahan offered "The Problem of Asia" frankly as both a diagnosis and as a remedy. Arguing from supposedly known facts, in the rôle of a political scientist, he deduced conclusions and offered predictions. Political science is not an exact science, not as exact even as naval strategy. There were others in Mahan's day with better claims than he to expertness in political science, but either they were more modest or else they were wrong. None foresaw the problem of Asia as it now appears. After reading Mahan, no one now would dare to prophesy for the future. The political scientist may as well admit that he cannot with certainty either identify or isolate the variables. Unlike the political scientists, the statesman must each day make a choice, for the world marches on. That is why opportunism is usually the best statesmanship.

It remains true, as both Mahan and Hay declared in 1900, that if the trading nations can join in respecting and preserving the Open Door in Asia that course will in the long run bring the greatest net profit for everyone. It remains true that control of the sea gives control of the richest part of the market of Asia. It is not equally certain that any combination of naval Powers to enforce the Open Door or to prevent any one Power from securing preponderance in Asia will accomplish its purpose or return a net profit on the investment.

# TWELVE YEARS OF FASCIST FINANCE

*By Gaetano Salvemini*

**T**HE time seems ripe for arriving at some kind of conclusion regarding the public finances of the European country which has remained under the rule of a dictatorial régime for a longer period of time than any other except Russia.

A mystery which has been puzzling many minds during recent years is the coexistence in Italian finance of an allegedly balanced budget with an elaborate program of public works. Public works, of course, have always been the preferred field of action of all dictatorships, and Italy is no exception to the rule. What Mussolini has taken away from the people in the realm of political and intellectual freedom, he has endeavored to make up for in the sphere of material benefits. He has tried not so much to raise the common man to a higher level of civilized life as to dazzle him with spectacular Fascist achievements. Gigantic public buildings have sprung up all over the country, land reclamation on a grand scale has been undertaken in the vicinity of Rome, and the Eternal City herself has been turned upside-down in order that she may shine again in the beauty that was hers two thousand years ago. Magnificent roads span the peninsula from end to end, huge ships cleave the waves for the enhancement of Italy's maritime fame, and a thousand and one other signs give proof everywhere that strictly financial considerations have not been uppermost in the dictator's mind during the last decade. Yet, until the world depression put Italy's budget also out of gear, a balanced budget existed alongside of all these material improvements and served as one of the Fascist Government's proudest claims to the gratitude of the Italian people and to the admiration of the rest of the world.

How was Mussolini able to balance the budget and at the same time reveal to an astonished world such an imposing array of material accomplishments? In democratic countries voices are heard clamoring for a more efficient public administration. The spendthrift habits of popular parliaments are criticized, and often Fascist Italy is given as an example to be followed. If Mussolini has succeeded in combining a balanced budget and lavish public works, he has indeed performed a miracle.

Unfortunately, it is not an easy matter to interpret the Italian

budget to a public accustomed to the English or American methods of public budgeting. The very existence of two different budgets, one showing revenues and expenditures as they have been legally assessed, the other showing them as they have actually taken place, does not make for clarity. Furthermore, from one year to another, items of revenue and expenditure are added to, or subtracted from, the budget, so that correct comparisons over a long period of years become very difficult. The result is that when we merely look at budget surpluses and deficits we are confronted with the most bewildering variety of figures. A single instance, chosen at random, will suffice. One set of official figures for the four years from July 1, 1928, to June 30, 1932, gives yearly deficits of, respectively, 2,576 millions, 507 millions, 288 millions, and 2,300 millions, a total deficit of 5,671 millions.<sup>1</sup> Another set of official figures for the same four years gives, respectively, surpluses of 555 millions and 170 millions and deficits of 504 millions and 3,867 millions, a total deficit of 3,646 millions.<sup>2</sup> The difference between the figures amounts to 2,025 million lire.

But there is one sure index of changes in the financial condition of a country — its national debt. No government borrows money when revenues are higher than expenditures. Therefore, an analysis of the variations of the public debt from 1922 to 1934 should form the basis of any appraisal of Fascist public finance.

For the sake of clarity, we have subdivided the almost inextricable maze of Italy's national debts into six categories: (a), the consolidated debt, (b), redeemable debts, (c), the floating debt, (d), debts of a miscellaneous character, (e), debts of public authorities connected with the Government, and (f), the debt for expenditures already incurred or contracted for, but the payment of which has been postponed to future years.<sup>3</sup>

(a) On June 30, 1922, the consolidated debt stood at 44,576 million lire. As of June 30, 1932, it had risen to 71,736 millions. It then constituted by far the largest slice of the national debt.

In the spring of 1934 came the great conversion of 61,838 million lire of 5 percent consolidated debt into a 3½ percent redeemable debt. The conversion was carried out in the high-

<sup>1</sup> Cf. *Rendiconti Generali Consuntivi* for the corresponding years.

<sup>2</sup> Cf. *Bollettino Mensile di Statistica* August 1934 p. 746.

<sup>3</sup> The starting point will be June 30, 1922, the close of the fiscal year 1921-22, because less than four months later the Fascists came into power (October 30, 1922). All figures when no other specific reference is made are taken from the *Rendiconti Generali Consuntivi*, for 1921-22 and following years, or from the *Conto del Tesoro*.

handed manner commonly associated with Fascist actions and, if related in detail, would greatly relieve the dryness of our figures. It was, of course, a complete success. The requests for repayment which managed somehow to reach the Treasury amounted to only 123 million lire. The Government pointed out with pride that this represented only one-fifth of one percent of the total presented for conversion, a percentage, it added with a keen sense of humor, far lower than that of the British war-loan conversion.

The result of the conversion was to reduce Italy's consolidated debt to 9,892 million lire, as of June 30, 1934. Compared with 1922, we have a net decrease of 34,684 million lire.

(b). The larger part of the consolidated debt was transferred to the category of redeemable debts. The following table shows the change (in millions of lire):

## REDEEMABLE DEBTS

	June 30, 1922	June 30, 1932	June 30, 1934 <sup>1</sup>	Increase or Decrease over 1922
Long-term.....	4,783	3,556	64,674	+59,891
9-year Treasury bonds...	7,227	11,986	15,898	+ 8,671
Morgan loan.....		1,696	950	+ 950
Miscellaneous.....		1,669	1,533	+ 1,533
<i>Total</i>	<i>12,010</i>	<i>18,907</i>	<i>83,055</i>	<i>+71,045</i>

The increase of 8,671 million lire in 9-year Treasury bonds, with large premiums attached, should be noticed. The decrease during the last two years in the amount outstanding of the Morgan loan is largely attributable to the devaluation of the dollar.

(c). The floating debt also has undergone striking changes in its composition since 1922 (in millions of lire):

## FLOATING DEBT

	June 30, 1922	June 30, 1932	June 30, 1934	Increase or Decrease over 1922
Ordinary 1-yr. Treasury bonds	24,161	10	6	-24,155
Advances—				
from Bank of Italy.....	3,612 <sup>2</sup>	.....	.....	- 3,612
from Cassa Depositi e Prestiti	415	5,673	8,881	+ 8,466
from Bank of Naples.....	.....	105	132	+ 132
from Istituti di Previdenza.	.....	869	1,214	+ 1,214
<i>Total</i>	<i>28,188</i>	<i>6,657</i>	<i>10,233</i>	<i>-17,955</i>

<sup>1</sup> The dollars of the Morgan loan are taken at the new parity of 11.23 lire to the dollar.

<sup>2</sup> This figure does not take account of 4,227 millions of Government debt to the Bank of Italy, cancelled by the 1927 stabilization law through revaluation of the gold reserves of the central bank.

In the years immediately following the World War, when the Government was hard pressed by the necessity of making large cash outlays to settle war claims, it found that the best way of raising the money was through the issue of short term Treasury bonds. Such bonds amounted to 24,161 million lire on June 30, 1922. In November 1926 the Government put through a forced conversion of all 1 year Treasury bonds into the so-called Lictor funded debt.<sup>1</sup> It thus deprived itself of the normal and best way of meeting short term requirements. After 1926 it was unable to enter the market for short term funds. It had broken a formal pledge of reimbursement once, and no money would have been available. The short term requirements continued, however, so that the Government had to find the necessary money elsewhere. This explains the rise of 8,466 million lire in the debt owing the "Cassa Depositi e Prestiti" (the central agency which controls the savings collected through the Post Office Department), the Bank of Naples, and the "Istituti di Previdenza" (State Benevolent Institutions).

(d) Now comes the fourth category into which we have subdivided the national debt (figures in millions of lire)

## MISCELLANEOUS DEBTS

	June 30 1922	June 30 1932	June 30 1934
Advances and loans from Cassa Depositi e Prestiti	734	1,092	6,226 <sup>2</sup>
Sums due for acquisition of railroads	873	1,853	
Sundry Treasury Debts ( Partite in Corso di Liquidazione )	6,507	1,881	
Debt to municipalities of Milan and Rome		304	
Miscellaneous	226	196	
Internal Debts			
Colonial Public Works Consortium		85	69
State Railroads	115	115	1,003
Sinking Fund		201	206
Sundry	9	3	5
Bank of Italy, for gold shipped to England	1,848	1,824	1,773
<b>Total</b>	<b>10,312</b>	<b>7,554</b>	<b>9,282</b>

The only item in this table which calls for comment is that of Sundry Treasury Debts. They stood at 6,507 million lire on June 30, 1922. In 1922-23 Minister De Stefani ordered that they be

<sup>1</sup> The Lictor loan was included in the 61,838 million lire offered for conversion in 1934.

<sup>2</sup> As of June 30 1933. No separate figures are as yet available.

revised, with a view to establishing which were real debts and which were fictitious claims against the Treasury. The result was that by a few strokes of the pen the debt was reduced on June 30, 1924, to 2,096 millions. Therefore, in order to arrive at fully comparable figures, it is necessary to change to 2,096 millions the Sundry Treasury Debts of 1922, and thus reduce the total debt of that year from 10,312 to 5,901 million lire.

(c). The public authorities connected with the Government are the Post Office, the Highways Board ("Azienda della Strada"), and the Tobacco and Salt Monopolies. In Italy these have always been branches of the central government. The "autonomy" accorded them in 1925-26 is merely nominal and does not prevent their debts from being a part of the nation's public debt. Their indebtedness increased from 164 million lire in 1926 to 1,184 million lire in 1932. There are no figures for 1934, but there is little doubt that the trend is upwards.

At this point the question arises whether debts contracted by other public bodies having practically the same characteristics as the "autonomous" authorities just mentioned should, or should not, be included in the figures of the national debt. The Senate Finance Committee was aware of this problem and, since the State had guaranteed either the payment of interest, or the repayment of capital, or both, the Committee drew up a list of the sums borrowed by such bodies.\* It is clear, for instance, that in the case of money borrowed by municipalities in the colonies (40 millions), or by thermal concerns owned and managed by the State (Montecatini, 44 millions; Salsomaggiore, 65 millions; Recoaro, 11 millions; etc.), or by joint-stock companies in which the sole shareholder is the Government (Cogne Steel Company, 175 millions), it is the State which is the only real debtor. Another characteristic instance is afforded by the 362 millions of bonds issued by the Institute of Naval Credit with a State guarantee. The money thus raised was spent for the construction of fast transatlantic passenger liners. The losses of this trade are such that eventually the Government will probably have to shoulder even the ordinary running expenses. The State has of late drastically reorganized the shipping companies and has taken over their administration in everything but in name. Is there any valid reason for denying that these 362 millions of bonds are a part of the national debt?

\* Cf. Repaci, "La Finanza Italiana nel ventennio 1913-1932," p. 312 ff.

We have chosen, however, not to include these debts in our calculation of the public debt. The figures necessary for a thorough study of all of them are lacking, and the inclusion of just a few would serve no useful purpose. But this particular problem in Italian finance gives some idea of the extent to which the Government has entered new fields. It also suggests some of the obstacles to an exhaustive study of the Italian financial situation today.

(f) We have now come to the most delicate and most important part of our subject — the sixth, and last, category of the national debt, made up of debts already incurred or contracted for, but the payment of which has been postponed to future years.

In brief, the story is as follows. The Fascist Government has carried on a considerable part of its activities, in almost every field, not by paying for them out of current revenue, and not by borrowing from the public, but by promising to pay the creditors in instalments extending over a period of years — on the average a period of ten years, but in some cases no less than fifty. Here is a list of the annuities which on the dates given were already contracted for: March 29, 1924, 6,546 million lire,<sup>9</sup> end of 1928, 26,219 million lire,<sup>10</sup> December 31, 1930, 65,390 million lire, March 31, 1932, 75,118 million lire, February 28, 1933, 74,315 million lire.<sup>11</sup>

The Parliamentary Finance Committees have provided these astounding revelations of hidden indebtedness. From 1924 to 1933, an increase of 67,767 millions! Each financial year sees an increase in the burden. For instance, by 1924 the Government had pledged itself to pay in 1932-33 the sum of 2,762 millions. This sum gradually rose until by February 1933 it was 6,003 millions. Italy thus is confronted with a succession of years whose revenues have been pledged years — nay decades — in advance, to meet expenditures of the past, leaving a narrowing margin of free revenue.

One of the most remarkable features of this situation is the fact that out of the 74,315 million lire of annuities outstanding as

<sup>9</sup> "Conto del Tesoro" *Gazzetta Ufficiale* March 29 1924 no 76.

<sup>10</sup> "Parliamentary Report on the Budget for 1927-28" *Atti Parlamentari* XXVIII Legisl. Camera dei Deputati no 30A. (The total of 26 219 takes into account annuities only up to 1938-39. It is therefore not strictly comparable with the other totals.)

<sup>11</sup> "Reports of the Senate Finance Committee" for the years respectively 1931-32 1932-33 and 1933-34.



of February 28, 1933, nearly two-thirds, or 51,243 millions, were for ordinary expenses, and only one-third, or 23,072 millions, for extraordinary expenses. The exact composition of this debt is given in the following table<sup>11</sup> setting forth the nature of annuities owed by the State for expenditures already incurred or contracted for (in millions of lire):

	Ordinary	Extraordinary	Total
Ministry of Finance.....	16,466	663	17,129
Foreign Affairs.....	3	20	23
Colonies.....		3	3
National Education ..	2,986		2,986
Department of Interior..	114	1,367	1,481
Public Works.....	10,757	3,169	13,926
Communications: railroads ..	8,370	477	12,290
Communications: shipping ..	3,443		
War.....		2,144	2,144
Navy.....	820	662	1,482
Air Force ..	459	69	528
Agriculture and Forests..	5,556	12,230	17,786
Corporations.....	396	117	513
Highways.....	1,765	204	1,969
Post Office.....	12	145	157
State Monopolies.....		63	63
Telephones.....	6	156	162
State Railroads.....	90	1,584	1,674
<b>Total</b>	<b>51,243</b>	<b>23,072</b>	<b>74,315</b>

The commitments are heaviest in the fields of agriculture (land reclamation), public works, railroads, and shipping—that is, where the Fascist régime has put forth the greatest efforts to impress the country with its material achievements. These vaunted achievements rest upon flimsy financial foundations.

Here we find the clue to the miracle referred to at the beginning of this study—the coexistence in Italian finance of an allegedly balanced budget with an elaborate program of public works. The miracle is not a miracle. It is a mystification. The Fascist dictatorship has dodged the difficulties of the moment by creating a mountain of hidden debts. It has left the future to take care of itself—*après moi le déluge!*

We must make it clear, however, that the hidden debt of 74,315 millions is to be paid over a period of years extending to 1986-87. It includes the interest charges which the Government

<sup>11</sup> Cf. Repaci, p. 311.

has to pay on the capital sum, and also expenditures which — although contracted for — have not yet been completely met. In other words, the present capital value of the debt is not 74,315 millions. This figure is merely the arithmetical sum total of all the annuities owed by the Italian State within the next 53 years. The Senate Finance Committee attempted a partial calculation of the present capital value of the debt — not an easy task.<sup>13</sup> On the basis of that partial evaluation we can say that the present capital value of all these annuities amounts to no less than 35,000 millions. Were the Fascist Government now willing to face the consequences of its spending policy, it would have to raise that sum. We shall therefore add not 74,315 but 35,000 million lire to the national debt as of June 30, 1932.<sup>14</sup>

On the other hand, for the sake of a comparison with the pre-Fascist situation, we must try to find the corresponding figure as of June 30, 1922. Using all the facts available, we can set our maximum estimate of the capital value in 1922 of all State annuities at 2,700 million lire.

Thus the following comprehensive table can be set up (in millions of lire):

#### NATIONAL DEBT OF ITALY

	June 30, 1922	June 30, 1932	June 30, 1934	Increase or Decrease over 1922
Consols	44,576	71,736	9,892	-34,684
Redeemables	12,010	18,907	83,055	+71,045
Floating debt	28,188	6,657	10,233	-17,955
Miscellaneous	5,901	7,554	9,282	+ 3,381
Autonomous authorities.	...	1,184	1,184 <sup>15</sup>	+ 1,184
Current capital value of State annuities .	2,700	35,000	35,000	+32,300
<i>Total</i>	<i>93,275</i>	<i>141,038</i>	<i>148,646</i>	<i>+55,377</i>

The increase over the amount of the national indebtedness in 1922 is thus almost sixty percent. But this is merely the *nominal* increase. Since the fall of 1926 the Government has been following a deflationary policy, while State expenditures have continuously expanded — a patent and harmful contradiction. If we take into consideration the increase in the gold value of the

<sup>13</sup> Cf. "Relazione della Commissione di Finanza allo Stato di Previsione delle Finanze per l'Esercizio 1934-35," Senato del Regno, Doc. no. 1969A, p. 43 ff, quoted in Repaci, p. 311.

<sup>14</sup> This figure applies to 1933. But we shall use it for 1932, too, since it represents as accurate an average as can be had under the circumstances. Actually, the figure for 1932 would be higher.

<sup>15</sup> June 30, 1932. The amount for 1934 will very likely be higher.

lira between 1922 and 1934, we obtain the *real* increase of the national debt. It is over 83 percent.<sup>16</sup> What this increase means for the Italian people can be surmised when we remember that the national income has decreased by at least 35 percent in the last ten years.<sup>17</sup>

The immediate future does not hold any hope that the national debt will cease to soar; the deficit for the current fiscal year 1934-35 is estimated at over 2,000 million lire, and at the end of 1934 the Government issued another 2,000 million lire of 9-year Treasury bonds.

At this point someone may interrupt to say that, if Fascist finance is bad, pre-Fascist finance was worse. The argument is that if the Fascist dictatorship has, according to the latest figures, increased the national debt by 57,371 million lire in the course of twelve years, the pre-Fascist régime increased it by 37,310 millions in the three years from July 1919 to June 1922. The national debt rose by 6,374 million lire during the last pre-Fascist fiscal year, 1921-22, and it rose by only 2,688 millions during the first Fascist fiscal year, 1922-23.<sup>18</sup> The free régime, according to this argument, left Italy bankrupt.

This assertion has no foundation. The huge deficits from 1919 to 1922 were due to the liquidation of expenditures necessitated by the World War. During those years the Government had to meet war claims to the amount of 55,221 million lire. Of this total, about a third, or 17,911 millions, came from current revenue, while the balance, 37,310 millions, was raised in the public market, thus increasing the national debt by that amount between June 30, 1919 and June 30, 1922. But after June 1922 the strain of the war claims began to subside. While in 1921-22 the war claims to be met amounted to 20,334 million lire, they declined to 6,146 millions in 1922-23, to 5,283 millions in 1923-24, and they continued to decline until they stabilized themselves at about 1,350 millions after 1926-27.<sup>19</sup>

At the end of 1921, Professor Mortara, one of Italy's leading economic experts,<sup>20</sup> predicted the complete disappearance of the deficit by 1924. Fascism came into power after the free régime

<sup>16</sup> The gold index averaged 430 (1913=100) in the second half of 1922 (Cf. Mortara, "Prospettive Economiche," 1932, p. 566), while it has stood at 367 ever since the 1927 stabilization law.

<sup>17</sup> Cf. Mortara, "Prospettive Economiche," 1933, p. 615.

<sup>18</sup> "Il Bilancio dello Stato Italiano dal 1913-14 al 1929-30," Rome, Istituto Poligrafico dello Stato, 1931, p. 230.

<sup>19</sup> Cf. "Bilancio dello Stato dal 1913-14 al 1929-30," p. 224.

<sup>20</sup> Cf. Mortara, "Prospettive Economiche," 1922, p. XX.

had endeavored with determination and courage to make a clean sweep of the war claims. Mussolini inherited a financial situation which was basically sound. Thus by 1924 Fascism found itself in a position to proclaim that the budget had been balanced. But the hidden debt represented by expenditures contracted for and payable in future years was increasing, and after 1925 both avowed and hidden indebtedness continued to grow.

Since 1925 the Italian budget has never been balanced. The Italian national debt in the last ten years has increased, on the average, by a yearly amount of over five billion lire, even though the war claims had been reduced to negligible proportions. Money has been spent lavishly. The national accounts have not been made so clear that the average citizen can understand them — notwithstanding Mussolini's proud assertion to the contrary. The annuity system prevents any immediate control over the outlay of public funds. The Government is concealing from the public at large the true composition and size of the national debt. Fascism has done away with the publicity and delays usually found in democratic countries, but it has not succeeded in creating a sound financial system. Financially, Fascism has nothing to its credit.

# THE GERMAN CHURCH CONFLICT

*By Douglas L. Reed*

**T**HE struggle within the German Evangelical Church was rightly interpreted abroad as the first stand against all-engulfing National Socialism. Parliament, Federal States, political parties, trades unions: all had surrendered without resistance.

But subsequent events have shown that the resistant strength of traditionally powerful forces in Germany have deeper roots. The executions of Storm Troop leaders in June 1934 were the fruit of resistance by the Reichswehr to the claim of ambitious Brown Shirt commanders to control or coöperate in the remilitarization of Germany. The successful resistance of the powerful industrialists and capitalists to those National Socialists who wanted to introduce socialism is shown by the facts that the economic dictatorship was entrusted first to a representative of big business and next to a representative of big banking; by the brusque dismissal of the leading Nazi economic theorist of pre-office days (Dr. Gottfried Feder); by the disciplining of Dr. Robert Ley, old-guard National Socialist and Leader of the Labor Front, in his attempts to reform the factories; and by the progressive disciplining of the local Nazi despots. The awakening resistance of scientists to restrictions on the freedom of research is shown by their homage to Fritz Haber, the exiled Jewish chemist whose synthetic nitrate process saved Germany from early collapse in the war. The Jews have survived: coming years are likely to bring proofs of this which seemed inconceivable in 1933. The arts are raising their heads: General Göring outbids Vienna in order to attract Austrian artists to the opera which he wishes to make the foremost in the world, and Pola Negri is brought from America, to the exasperation of German film players, to help in the rehabilitation of the German film.

The tumult is clearly subsiding. Little remains of National Socialism save Herr Hitler and the one scarlet thread that has run through all the tangled events since 1933: militarization in all its forms — the teaching of nationalism in the schools, the mobilization of manpower, the cementing of national unity, the restoration of national self-respect, preparation for compulsory military and labor service, army expansion, rearmament, and the sup-

pression of popular control, criticism and discussion Herr Hitler's spokesmen can already confidently announce that Germany is too strong to be invaded. The army must be eternally grateful to him for that. Even the discontented make a clear cut distinction between the Leader and National Socialism. The "Authoritative State," embodied in his person, will remain. His lieutenants may periodically change and the power of the Party decrease. Real power will remain with the army, the financial magnates, the industrialists and the landowners.

So much of a general forecast may with some confidence be made. If it proves true, the Church conflict will lose importance, for conservative forces will inevitably prevail there too. But it has played its incalculably important part.

National Socialism brought religious dilemmas for many people. Within the Roman Catholic Church, to which one third of the Germans belong, it brought no conflict, though it did bring a conflict between the Church and the Party-State, because the National Socialist juvenile organization — the Hitler Youth — fiercely fought for complete control of youth. The Church itself remained intact, and today the indications are that its differences with the Party State, temporarily accentuated by the killing of three Catholic lay leaders, are likely to be composed.

But the Evangelical two thirds of the German population was riven by dissensions originating in National Socialist political doctrine. One source of dilemma was the anti Jewish teaching. National Socialists boycotted the Jews on Saturday, and on Sunday went to the churches of their Jewish-derived faith. Not all could appease their consciences as easily as Dr. Robert Ley, who said: "To the argument of clerical dialecticians, that Christ was a Jew, we reply that Christ was either man or God. If He was man, then He was a Jew, but He was not God. If He was God, as we believe, then He was never a Jew."

The doctrine of racial exclusiveness and racial discrimination also stimulated the non Christian Nordic movement, whose followers wished to revive the pre Christian faith of their remote Germanic forefathers. They believed (as far as their faith can be defined) in the German soul, the great figures of German history, the sequence of the seasons, the alternation of light and darkness, the eternal lesson of life renewed. Symbols of their faith were the sun sign and the tree of life, still found on the roof trees of peasant homesteads in northern Germany, even on tombstones in

Christian churchyards. Competitive Christianity, they said, had simply adopted and adapted their ancient symbols and festivals, choosing December 25 as the birthday of Christ, for instance, simply because it was a chief festival of the ancient Nordics, the winter solstice. Alfred Rosenberg, "Spiritual Instructor" of the whole National Socialist organization (embracing in one form or another 40 million Germans), and Baldur von Schirach, Leader of the vast Hitler Youth organization, sympathized with these ideas, and the Churches saw their chief enemies in these men. For the heroic generation which National Socialism was to breed, said Rosenberg in his "Myths of the Twentieth Century," the lesson of humility, suffering and sacrifice embodied in the tortured figure on the cross was intolerable. A knightly warrior triumphant, a reptilian adversary recumbent: these were the bearings which a National Socialist should carry on the shield of his faith. True, the Christian Church had preserved the figure of the Germanic knight Saint George, but only in a subordinate position. A German Church would by degrees substitute "the admonitory fire-spirit, the Hero in the highest meaning of the word," for the crucifix.

The non-Christian Nordic cult was there long before National Socialism came, and, left alone, is unlikely to play an important part. The danger to the Church, the resisters held, came not from that source but from those who wished to graft some of the Nordic ideas on to Christianity; to eliminate from the Evangelical faith anything of Jewish derivation; to subordinate the conscience of the Church to the authority of the absolutist State; to substitute a religion of might triumphant for the Christian doctrine of humility, repentance and redemption; to reform the Evangelical faith on a heroic, Teutonic, Nordic basis. These people did not openly avow themselves to be non-Christian Nordics. They claimed to be Christians, but sought to introduce into the Church ideas fundamentally opposed to Christianity. The resisters asked themselves if this was what National Socialism meant by stating in its program that it stood for "practical Christianity."<sup>1</sup>

Such was the background of the Evangelical Church conflict. National Socialist doctrine had brought the seeds of schism; yet

<sup>1</sup> The Nordics, incidentally, demand that they be given the status of a third confession, that State servants in all categories be released from the obligation to belong to a Christian Church, and the like.

the aim of National Socialism, following its "totalitarian" ideal, was complete unity in the Church. Just as the 16 partly self-governing Federal States, each with its parliament and premiers and with populations ranging between 38,000,000 and 50,000, were progressively to give way to 20 Regions of the Realm with tribal names, with from 3 to 4 million inhabitants apiece, and with Governors personally responsible to the Leader and just as all other departments of public life were to be coördinated and controlled by personal authority instead of majority vote, so was the Church to be remade on the "Leadership principle."

This difficult task was begun when Herr Hitler came to power. He found 28 self-governing Evangelical Churches, reflecting the former dynastic structure of Germany, bound together only by a Church Federation for consultative purposes in matters of common concern to all German Protestantism. The 28 Churches were completely independent, the Federation had no power over them. They were partly Lutheran, partly Reformed (Calvinistic). The greatest, the "United" Church of the Old Prussian Union, with some 19,000,000 members, combined Lutherans and Reformed under one administration. Now they all were to be unified under a single all-powerful leader.

The leader had already been chosen, though the Churches did not know it. Ludwig Müller, a military chaplain with much war service, while he was garrison chaplain at Königsberg some years before had had a long conversation with Adolf Hitler and had subsequently remained his ardent admirer. Large and jovial, shaven-headed, the Iron Cross on his coat, he was the ideal of a priest-militant. One day soon after Herr Hitler became Chancellor, Chaplain Müller informed the Church leaders of the Führer's wish that the Protestant Churches should be unified. The Churches had nothing against unification in itself. Indeed, they were quite ready to reorganize the Church administration in harmony with the political reorganization of the Reich—that is, to bring the independent churches under the control of a Reich Church and a Primate (or Reich Bishop). Accordingly the Church Federation charged Dr. Kapler (its Lay President), and two leading Lutheran and Reformed theologians, Bishop Marahrens of Hanover and Dr. Hesse, to draft a constitution for the new unified Church. They met at Loccum in April 1933. But they met under the shadow of a now unavoidable Church conflict, for in Berlin the "German Christians" had just held their first conference.



The German Christians, broadly defined, were at that time National Socialist pastors and churchgoers organized to eliminate from their Evangelical Christian faith anything incompatible with Nazi political doctrine. One of their leaders said that they were "Evangelical National Socialists who follow Adolf Hitler everywhere, even to Potempa." The reference was to a *cause célèbre*. A few months before the Nazis came to power, a Communist was murdered by several Nazis at Potempa in circumstances of extraordinary brutality. They were condemned to death. The Nazis waged a national campaign for their reprieve, and the von Papen Government gave way. Herr Hitler telegraphed expressions of warm sympathy to them in prison and after National Socialism came to power they were released and given a triumphant homecoming.

This famous first conference in Berlin demanded that the Old Testament be abolished and its place taken by German sagas and legends; that the Hebrew prophets should give way to German philosophers and poets; that the leaders of the Church must be men "politically trustworthy," of pure Aryan (non-Jewish) descent; and the like. The Church Federation, in alarm, hurriedly drew Herr Hitler's attention to these demands and to his guarantee, given a few weeks before, to respect the independence of the Church. At Loccum, Chaplain Müller, present as intermediary between the Chancellor and the three drafters of the new Constitution, demanded the Primacy for himself. As candidate they instead chose Dr. Friedrich von Bodelschwingh, whose record as administrator of the famous Bethel charitable settlement at Bielefeld and distance from Church politics had gained him universal respect. The German Christians vehemently demanded Chaplain Müller's candidature. But the Federation ignored this, and the representatives of the 28 Churches, summoned to meet on May 26, 1933, elected Dr. von Bodelschwingh as their candidate for Reich Bishop by a large majority.

Open warfare followed in the Church. State intervention in support of Chaplain Müller, nominee of a Roman Catholic Chancellor, was met by defiance, countered in turn by arrests and dismissals of the resisting clergy, autocratic decrees and recantations by Dr. Müller, disturbances in the churches, and the like. Following Dr. von Bodelschwingh's election, Chaplain Müller was given the microphone and declared that the Church leaders "had not listened to the call of the hour." The people

wanted a man who for years had fought in the struggle for German freedom. The Storm Troops, upon whom the State now rested, must have the Gospel preached to them in unadulterated words, they must feel once more that Christianity was "an heroic faith."

The State, in fact, was behind Chaplain Müller and the German Christians (whose patron he was), subjugation of the Church by the State authority was to be attempted. On June 24 Dr Bernhard Rust, Nazi Minister for Ecclesiastical Affairs in Prussia, appointed Dr August Jäger, senior church official in that Ministry, as State Commissioner for all the Evangelical Churches of Prussia, announcing that "the situation of State, people and Church demands that an end be put to the prevailing confusion." Dr von Bodelschwingh, the Primate elect, laid down his mission, stating that this move made its fulfilment impossible. Dr Jäger dissolved all elected bodies of the Prussian Churches. Storm Troops occupied the Berlin offices of Church press and missionary organizations. The entire Old Prussian Church and the other Evangelical Churches in present Prussian territory (Hanover, Schleswig Holstein, Hessen Cassel, and Nassau) were put under sub-commissioners. By a stroke of the pen, Dr Jäger made Dr Friedrich Werner, a Berlin lawyer, acting Vice President of the High Council of the Old Prussian Church. More alarming still for the resisters, Dr Joachim Hossenfelder, leader of the German Christians, was made Spiritual Vice President of the Prussian High Church Council, with powers to appoint General Superintendents, Superintendents and clergy. "Thanks are due to God and His instrument, Adolf Hitler, for the averting of Bolshevik chaos," said Dr Jäger. The representatives of the Old Prussian, Hanoverian and Hessian Churches protested at Eisenach against this State intervention as a breach of the constitutionally guaranteed independence of the Prussian Evangelical Churches and appealed for the protection of the Reich Government.

In vain, for Chaplain Müller, escorted by Storm Troops, occupied the offices of the Evangelical Church Federation and proclaimed himself head of it and President of the Prussian High Church Council with autocratic powers — dictator, in fact, of the Old Prussian Union Church. The General Superintendents (two had already been dismissed) told Chaplain Müller that they would not recognize Pastor Hossenfelder's authority in the

highest spiritual office of the Prussian Church. They ordered prayers to be offered in the churches, but the new rulers of the Church counter-ordered that all pastors should read a message of thanksgiving "for the deliverance of the State from disorder" and for the pains which the State, though heavily preoccupied, was taking to reorganize the Church. They were also ordered to hoist the Nazi swastika flag. This message was read in some churches, not in others. Where the swastika flag was not flown the Storm Troopers themselves hoisted it. They marched in formation to the churches and their color bearers, ignoring the pastors, took stand on the altar steps.

The opposition began to organize. Its great difficulty was to know what it was fighting against, what Herr Hitler wanted. It was fighting for the Church, and it was mortally afraid of the accusation that it was fighting against the new State. If Herr Hitler wanted only unification they were ready to cooperate. But what was this unified Church to be, what men were to rule it, what was to be the foundation of its faith? It did not know the answer, and still does not. Was Herr Hitler of one mind with the Rosenbergs, the Schirachs, and the German Christians? Did he, in short, desire a new *Kulturkampf*?

Access was difficult to the aged President von Hindenburg at his closely-guarded retreat in distant East Prussia. But some tidings reached him, and he wrote to Herr Hitler expressing "the deepest concern" at the conflict. He urged the Chancellor to restore peace within the Church, and only then to strive for its unification. This had some effect. The plenipotentiaries of the independent churches sat down with representatives of the State, with Chaplin Müller and Dr. Jäger, to redraft the new constitution. In July Herr Hitler reported to the President that it was complete, the commissioners withdrawn, and church pacification at hand. Dr. Rust actually did withdraw Dr. Jäger, who withdrew his sub-commissioners; but Dr. Werner and Pastor Hossenfelder remained in control of the Prussian High Church Council, and the dismissed superintendents and pastors

<sup>1</sup> The complexity of the conflict was increased by the fact that many resisters claimed to be convinced National Socialists, and many German Christians, at any rate in the later stages, disclaimed any sympathy with pagan and Nordic ideas, claiming that they only desired the rejuvenation and quickening of a Church grown torpid and lethargic, in harmony with the great national awakening which National Socialism had brought to Germany. Nevertheless, in the last analysis their aim was indisputably to introduce certain ideas originating in National Socialist political philosophy into their Christian faith, and the gap between the opposing forces thus remained wide.

were not reinstated. The resistant clergy in Prussia, made skeptical, organized for active opposition in a group called "Gospel and Church."

The new constitution provided for the unification of the 28 Churches in a "single German Evangelical Church" under a Reich Bishop not elected (this would have been democratic and in conflict with the "leadership principle" embodied in Herr Hitler), but "summoned" by the National Synod after nomination by the 28 church leaders. The National Synod was to be formed of 20 nominated members and 40 delegates from the 28 independent church synods, which were to be constructed from elections held on July 23. In these elections the German Christians, backed by the mighty party machine, obtained a two-thirds majority in most parish and district councils, State and provincial Synods, and the National Synod. Herr Hitler's voice, broadcast on election eve, left churchgoers with the impression that to vote against the German Christians would be to vote against him, and widespread intimidation was also alleged by the opposition.

Thus elected, the Synod of the Old Prussian Union Church forthwith elected Chaplain Muller as State Bishop of Prussia, and he appointed Pastor Hossenfelder Bishop of Brandenburg (including Berlin). Of the 229 delegates, all but 75 were German Christians. The epithet "traitors" was hurled at the resistants, and Bishop Muller threatened them with the concentration camp. A law was passed excluding from the clergy and from church office all who were not "politically trustworthy" or who had Jewish blood within two generations. Thus the "Aryan paragraph" (the anti Jewish clause of the National Socialist Civil Service Act) was being applied to the Church. The 75 resistants left the room, amid imprecations.

The new National Synod met (September 27) at Wittenberg, the cradle of the Reformation. The town was gaily decorated with Nazi flags, the white ecclesiastical banner with the violet cross was suspended from the bridge joining the twin towers of the Stadtkirche. Only Westphalia had sent a few resistants, but they were not allowed any part in the program. Bishop Müller was unanimously elected Reich Bishop. But the cleavage within the Church, for all this show of unity, was deepening every day. Over 2,000 pastors had joined the "Gospel and Church" resistants. Luther had nailed his 95 theses to the church doors 400

years earlier; and visitors to Wittenberg found manifestoes of defiance to the new Primate posted up in the town.

Primate Müller now appointed his Ecclesiastical Ministry. The Lutheran and Reformed members were Bishop Schöffel of Hamburg and Dr. Weber of Elberfeld. The other two members represented, like the Primate himself, the great Prussian Church. They were the two men left over from Dr. Jäger's intervention in Prussia: Bishop Hossensfelder, and Dr. Werner, who became "Legal Administrator," or Chancellor. A period of apparent quiet followed. It was used by the resisters to expand their organization, now renamed "The Pastors' Emergency League." It comprised 3,000 pastors, all sworn to defy the authority of the Primate, to resist interference with the ministry, and especially to resist the application of the Aryan paragraph, which they regarded as contrary to the Gospel. Their leaders, Pastor Martin Niemöller and von Rabenau of Berlin, were suspended. Pastor Niemöller, a former submarine commander and holder of the Iron Cross, nevertheless, preached at his church in the fashionable suburb of Dahlem throughout the conflict. His congregation solidly supported him, and those who had ordered his suspension never attempted forcible eviction. Suspended pastors in other places also preached. In some cases they were actually prevented. But on the whole, churchgoing continued without abnormal interruption, and the uninitiated visitor to Germany saw little of the conflict (of which, incidentally, barely a word ever appeared in the German press).

On November 13 the fat was in the fire again. Dr. Krause, Berlin leader of the German Christians, speaking at a packed demonstration, demanded from the Primate the ruthless application throughout the Church of the Prussian anti-Jewish law; the segregation of all members of the Church of Jewish or other foreign racial descent into special religious communities (the "Ghetto Church" idea); the elimination of the crucifix, of the whole of the Old Testament and of "superstitious portions" of the New Testament. "The Nordic spirit," he said, "must conquer Oriental materialism."

The consternation caused by these demands forced the Primate's hand. He removed Dr. Krause from all Church offices. But the aims of the German Christians, who controlled the Church administration and whose leader was a member of the Primate's Ecclesiastical Ministry, were now clear. The member-

ship of the Pastors' League jumped to nearly 7,000, and it demanded the dismissal of Bishop Hossenfelder, the revocation of the Prussian anti Jewish law, and the repudiation of the German Christian heresies, "including the doctrine that nationhood, history and contemporary development should rank with Holy Scripture as a second source of revelation"

The Primate's surrender was the first victory for moderation since National Socialism had come to power. He issued a church law suspending the Aryan paragraph in Prussia, dropped Bishop Hossenfelder and Dr. Werner from his administration, and withdrew his patronage from the German Christians. But his authority was gone. The resisters had no confidence in him and maintained that under his Primacy pacification of the Church was impossible. The Lutheran Bishops of Bavaria, Baden, Hanover, Hesse and Württemberg rallied to the Pastors' League (mainly recruited from Prussia, where the Primate himself was State Bishop) and threatened defiance to his authority unless he reformed his ministry according to their demands. But the Primate answered by re-enacting the anti Jewish law (the resisters opposed the principle rather than the practical effect of this) and prohibited all public opposition to his administration, on pain of instant suspension. Then he began, one after another, to appoint and install German Christians as Bishops of the formerly independent churches, the synods of which, controlled by the German Christians, docilely voted their incorporation in the nominally unified Church which he headed.

The German Christians, however, began to split. Dr. Krause gravitated towards the Nordics, and at crowded meetings in Berlin invoked the example of the Japanese religion, in which "service to the Kaiser and Fatherland is service rendered to God." Dr. Hossenfelder had to resign his bishopric and his leadership of the German Christians. Another section of the German Christians turned against the Primate, stating that he had brought disunion to the Church. But the Primate went his way, and in investing one of his nominees as Bishop of Brunswick threatened to "rap on the knuckles" those who refused his "proffered hand," he also defended the Aryan paragraph.

The aged President now intervened again. He handed Herr Hitler, with his implicit recommendation, a memorandum for the pacification of the Church, containing proposals which emanated from the resisters. First among them was the supersession

of the Primate. On January 28, 1934, representatives of the now depleted German Christians and of the resisters met in the presence of Herr Hitler (who had with him the memorandum) and of the Primate. The opposition was confident; the struggle seemed to have been won. But a great disillusionment was in store. Pastor Niemöller, the Pastors' League leader, had previously told an acquaintance over the telephone, in reference to Herr Hitler's visit to the President, that "Hitler is now receiving the last unction." An indiscreetly jocular, though intrinsically harmless remark. The critical meeting had barely opened when General Göring, then regarded as a warm supporter of the Primate, strode into the room "with material supplied by the Secret Police." The record of Pastor Niemöller's jest was produced. The Primate, quietly watching, had no need to say a word. The opposition retired in confusion.

The Primate pressed home his advantage. He issued a decree investing himself with dictatorial powers over the Prussian Union Church, and invalidating all contrary constitutional provisions. He thus became sole arbiter of the Prussian Church, which by virtue of its 19,000,000 members was of decisive importance in the conflict. The resistant Bishops hurriedly declared their "unconditional loyalty to the Third Reich and its Leader" and their unanimous support for the Primate. Dr. Niemöller was arrested, taken to Secret Police headquarters, but released on condition that he report daily. The Primate, in virtue of his autocratic powers, retired some 50 pastors, general superintendents and church officials, and ordered that pastors should in future be chosen only from men with records of Storm Troop and labor camp service.

The complete submission of the Bishops spread consternation among the resistant clergy in Prussia. The Primate seemed to have triumphed. They had to begin all over again. They did not hesitate, and set to work to build up an independent Evangelical Church. Dr. Niemöller's congregation proclaimed his dismissal illegal and called on him to continue preaching, which he did. Resistant pastors in the Rhineland church province formed an opposition "Free Synod," and declared that "the grave disturbance of the Church is due to a heretical attack on the foundations of its doctrine, which is particularly noticeable in the administration of the Church contrary to the teaching of the Gospel." The spiritual authority of the Primate's administration was

defied, "because it had been formed under coercion," and preachers and elders were exhorted not to obey its orders and to disregard suspension. Other free Synods were formed in Pomerania and in Berlin Brandenburg, both adopting the Rhenish resolutions.

Undeterred, the Primate extended his dictatorial régime, now decreeing the complete absorption of the Old Prussian Church (hitherto dictatorially ruled by him) in the Reich Church. And at a great German Christian meeting he proclaimed anew that he was and always would be a German Christian. He and they would not rest "until only National Socialists stood in the pulpits and only National Socialists sat in the pews." Though denying that he wished to set up "a cult of Wotan," he expressed guarded sympathy with certain of the Germanic ideas of Herr Rosenberg. And in further emphasis of the military ideology which underlies National Socialism he appointed Bishop Oberheid of the Rhineland his "Chief of Staff."

At this point the law began to take a hand in a way which had later repercussions. The Primate, in abolishing the Prussian High Church Council in January, had abolished the office of Dr. Werner, his own appointee. Dr. Werner sued for payment of salary, claiming that the Primate's decrees were unconstitutional, and gained the verdict.

Then the Primate appointed to the long vacant Legal Administratorship (or Chancellorship) of his Ecclesiastical Ministry, Dr. Jäger, the instrument of the first State coercive intervention in 1933. Dr. Jäger was an old guard National Socialist, a member of the Party National Executive. He had said that the appearance of Jesus Christ in world history was "the flaming-up of the Nordic spirit in the era of decadence." Here again was the old confusion of Christian and racial ideas. His appointment was announced from Party headquarters at Munich, not from the Primate's office, and he retained his Prussian State appointment. He was now charged with "the constructive organization and internal administration of the Reich Church." The inference was inescapable. The State meant to intervene again on the Primate's behalf.

The opposition, rallied by this development, regained unity in a great demonstration of 10,000 Protestants in the great Cathedral at Ulm, where the Bishops of Bavaria and Württemberg, the representatives of several opposition "Free Synods," and of the



Pastors' League again found themselves united in defiance of the Primate. A "Confessional Community of the German Evangelical Church" was formed, claiming to be the rightful Church. Its demands were the reinforcement of the Church Constitution, the revocation of the Primate's autocratic decrees, and strict observance of the Party-State's professed determination not to interfere in the Church conflict. The eventual aim was a "Reich Free Synod" composed of Free Synod delegates from the various districts: a body, that is, which could claim to be constitutional and put forward the opposition's claims, based on the rejection by courts of law of the validity of the Primate's decrees.

Superficial unification, meanwhile, proceeded apace. By May the Primate claimed that only the Bavarian and Württemberg churches remained outside the reorganization of the Church on the political model — that is, with regional Bishops directly responsible to the Primate, just as in the political field there were only to be Governors personally responsible to Herr Hitler.

At last, at Barmen on May 30, delegates from the organized opposition throughout the country constituted "The Confessional Synod of the German Evangelical Church." The Primate's administration was denied the right to represent the Church or the laity "in so far as they have attained power by coercion or un-Christian methods." The Confessional Synod, though divided on many points, agreed on six "theological points," refuting as follows the heretical ideas against which it was fighting:

1. Jesus Christ is the only word of God. The heresy is refuted that the Church can and must recognize other events and powers, figures and truths as the revelation of God.

2. God, through Jesus Christ, claims our whole life. The heresy is refuted that there can be spheres of life in which we do not belong to Him but to other masters.

3. The Christian Church is a community of brethren and belongs solely to Christ. The heresy is refuted that the Church can do with its mission and organization as it likes and surrender it to the vagaries of temporarily prevailing philosophical and political convictions.

4. The offices of the Church are not there to give one man dominion over another. The heresy is refuted that the Church can and should give itself, or allow itself to be given, leaders endowed with ruling powers.

5. The Gospel tells us that the State has the divine task of looking after law and order in a world not yet delivered. The heresy is refuted that the State, over and above its special task, should and can become the single and total regulator of human life and thus also fulfil the vocations of the Church.

6 The mission of the Church consists in preaching to all people the message of the mercy of God. The heresy is refuted that the Church can place the word and works of the Lord at the service of any arbitrarily chosen wishes, aims and plans.

The excitement attending the "clean up" of June 30 (described by one German Christian Bishop as revealing to the world "the unique greatness of the Führer") diverted attention for a time from the Church conflict. But the counterblow to the formation of the Confessional Synod came in August. The National Synod elected in July 1933 then met for the first time since the election of the Primate. It contained 44 German Christian and 15 opposition members. The majority passed laws which completely merged all the formerly independent churches in the Reich Church, professedly legalized all measures taken by the Primate, abolished the Church flag, and obliged all pastors and church officials to take an oath jointly to Herr Hitler and the Primate's administration.

The bitterest pill for the opposition was the oath, which in their view confused spiritual and worldly issues. Refusal to take it would be represented as disloyalty to Herr Hitler. Their most strenuous efforts had been devoted to avoid being manoeuvred into this position. Nevertheless they took up the challenge, and a manifesto condemning the proceedings of the National Synod and defying the Primate was read in many churches. In a passage the courage of which can only be fully understood in the light of the bloody events which had occurred in Germany a few weeks earlier, it said that the Primate's administration "makes the preaching of the Gospel subservient to the lust for power of erring men."

We declare to the churches and congregations, in our responsibility before God, that obedience to this regime is disobedience to God." Resistant pastors were called on to refuse to take the oath. The legal strength of the resisters' position was reinforced by judgments of the Reich Supreme Court and the Berlin High Court (arising from appeals against suspensions) which denied all legal validity to the Primate's decrees.

Thus, in September 1934, the Church was rent from top to bottom at the very moment when superficial unification had been completed. Only the Bavarian and Württemberg Bishops (among the heads of Churches) still stood out, and the Primate tried to overcome this last obstacle by decreeing that he himself was the

\* It has not yet been taken.

sole source of legislation for these two Churches. The coping stone was laid on the edifice of surface unification by the solemn investiture of Dr. Müller as Reich Bishop in the Evangelical Cathedral in Berlin on September 23, in the presence of all the Bishops appointed by himself.

Bishops Meiser and Wurm, of Bavaria and Württemberg, refused to recognize the incorporation of their churches in the Reich Church and continued, enthusiastically supported by their congregations, to exercise independent authority. Bishop Wurm was suspended, and this led to disturbances and protest meetings—unprecedented under the National Socialist régime—in many South German cities. The Confessional movement answered the Primate's investiture with defiant declarations, read to packed congregations, in which certain public remarks of Dr. Jäger, the Primate's Chancellor, were interpreted as meaning that "the Confessions are to be abolished in favor of a super-confessional National Church and the place of the faith of the Christian Church is to be taken by a hybrid Nordic-Christian religion. Because they do that, Primate Müller and Chancellor Jäger and all who follow them have cut themselves off from the Christian community. They have left the foundations of the Christian Church and forfeited all rights to it."

The Primate struck back hard. He stopped the salaries of 24 pastors in one district alone, and suspended 15 Brandenburg pastors who read this declaration. The State also showed its hand. Bishop Wurm was put under "house arrest." Dr. Jäger was sent to Bavaria and, with a detachment of secret police, forcibly retired Bishop Meiser, appointing a Commissioner for the Bavarian Church.

But the anger of Bavarian churchgoers took open form, and the attempt to coerce the two South German Bishops broke down completely. They remained unsubdued, in independent control of their churches. Dr. Jäger had to resign. The fiction of "unification" was exposed. On October 30 Herr Hitler received Bishops Meiser, Wurm and Marahrens and was understood to accept their contention that the Church should be left to decide its own affairs.

These are, in brief outline, the main developments in an extraordinary conflict the paramount importance of which is that it has shown, to a world become sceptical, that men are still ready to fight and suffer for ideas and ideals in Germany. After two

years it has left the Church almost unified on paper, but more divided in practice than it has been since the Reformation. The resignation of the Primate, on which the resisters insist and which seems unlikely long to be delayed, would not end the conflict as long as the State does not unambiguously withdraw from it, for the resisters regard themselves as engaged in a struggle to save Christianity from submergence in a pagan National Socialist *Weltanschauung*. The dismissal of Professor Karl Barth, the eminent theologian whose writings have played so large a part in the struggle of the opposition, for failing to give the Hitler salute is a sign of the difficulty of reconciling the opposing standards.

The struggle, Bishop Meiser said after his reinstatement, is only beginning. Nevertheless, present tendencies in Germany are towards moderation and circumspection, for the reasons described at the beginning of this article. The Church conflict is unlikely to be pushed so far that it becomes a menace either to internal unity or to the united front which must be opposed to the outer world.

The Church has gained, and not lost. The struggle has rallied lethargic churchgoers, quickened their interest in their faith, made them feel that it is something to be fought for, not kept on the bookshelf. Half empty churches now are filled. Ultimately the conflict that was forced on Christianity in Germany in 1933 by the blurring of the borderline between the claim of the Party-State to absolute temporal authority and the claim of the Church to freedom of conscience may lead to the Church's renewal and rejuvenation.

# ITALY IN ABYSSINIA

By Robert Gale Woolbert

THE spring of 1936 will see the fortieth anniversary of Italy's defeat at Adua by the armies of Emperor Menelek of Abyssinia. A resounding victory over Abyssinia by that date might well be pleasing to Fascist *amour propre*. Is any such plan really being matured at Rome, and, if so, will France and Great Britain, acting with or without the League, permit it to be carried out?

The Italo-Abyssinian situation forms an integral part of the general European diplomatic picture and has a particular bearing on Italy's relations with France. France has been Abyssinia's chief support since the days of Menelek. It was France which furnished him with officers, munitions, and diplomatic support against Crispi's effort to impose an Italian protectorate upon Abyssinia in accord with the Italian interpretation of the Treaty of Uchiali (May 2, 1889). It was France which, against the desires of both Italy and Great Britain, secured Abyssinia's admission to the League on September 28, 1923. Two-thirds of Abyssinia's foreign trade passes over the French railroad from Addis Ababa to Jibuti, the capital of French Somaliland. This virtual monopoly on Abyssinia's external commerce is protected by an agreement forbidding the concession of any rights to another company that would compete with the Addis Ababa line.

One might suppose that Abyssinians would resent this strangle-hold on the economic life of their country and that France's paramount diplomatic position at Addis Ababa would be impaired. That this is not the case has been due to the thorough realization on the part of the Abyssinian ruling caste that without the aid and comfort of at least one Great Power they are at the mercy of the others, and that France, since her defeat at Fashoda in 1898, has put aside any ulterior designs on Abyssinia's territorial integrity. Diminutive French Somaliland touches Abyssinia for not more than 250 miles, whereas the possessions of England and Italy hem her in along thousands of miles — on all her other frontiers, in fact.

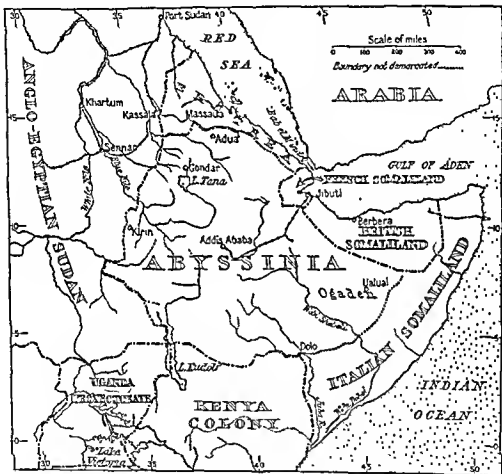
Manifestly, then, any aggressive move in Abyssinia on the part of Italy presupposes a preliminary arrangement between Italy and France. It is for this reason that in the recent *pourparlers*

between Signor Mussolini and M Laval the affairs of Abyssinia occupied an important place As these lines are written, the exact terms of the agreements entered into at Rome are still unpublished, as indeed they are likely to remain for some time We have, however, the official summary issued on January 8 The first impression given is that Italy by no means got the best of the transaction Mussolini, in fact, was not in a strategic position for effective bargaining His revisionist policies in Central Europe had, after twelve years, proved infeasible as a result of Nazi ambitions among the Danube and the solidarity of the Little Entente He may well have wished, then, to counter-balance this check by diplomatic, and perhaps even military, victories in Africa M Laval, however, seems to have begrudged him any substantial consolation

In Tunisia, the Fascist Government has always held out for a perpetuation of the right of Italians there — over 100,000 in number — to preserve their Italian nationality and hand it down from generation to generation Such a claim was possible only because Tunisia is not a French colonial possession but a protectorate The status of Italian citizens and Italian government schools in Tunisia has been governed by the agreement of 1896, entered into shortly after the battle of Adua when Italy was in an unfavorable diplomatic position This agreement was denounced by France on September 9, 1918, but has continued in vigor since then by "temporary" tri monthly extensions According to the agreement just reached at Rome, all children of Italian parents born in Tunisia before 1965 may retain Italian nationality, though any born after 1945 may choose French citizenship if they wish The Italian governmental schools in Tunisia, long a thorn in the side of the French administration, will continue as at present until 1955, when they must assume a private character Certain other privileges enjoyed by Italians will be gradually abolished after 1945 This settlement represents a compromise *à longue échéance*, with every possibility that before the time comes to execute it the European scene will have so changed that it will be inapplicable From this point of view Mussolini has won a partial success

The French concessions along the southern frontier of Libya turn out to be very puny indeed Instead of obtaining a corridor to Lake Chad or a recognition of her rights in Borcu and Ennedi, Italy receives but half of the mountainous Tibesti region, which

is just about the most god-forsaken and useless area one can well imagine. Similarly, France's surrender of a minute speck of desert along the northern boundary of French Somaliland (400 to 500 square miles, facing the Strait of Bal-el-Mandeb) has little value other than moral. The only really valuable concession given Italy is a 20 percent share in the ownership of the Jibuti-Addis Ababa railroad. This, it is held, will give Italy a much better



chance at the Abyssinian market, now being vigorously invaded by the Japanese, who are reported to have won 80 percent of Abyssinia's import trade. More important, it will give Italy a control over the arms traffic to Abyssinia. This is the most significant of her gains under the Rome agreements. If Mussolini were in fact preparing to fight Abyssinia, he would be wise to arrange for shutting off his enemy's supply of munitions.

On the whole, then, the concessions received by Italy in Africa

are not very extensive and certainly do not represent for her a very satisfactory liquidation of her claims to compensation arising out of the Treaty of London (April 26, 1915). Two explanations are possible. In the first place, Mussolini had not been able to exculpate Italian policy completely from any responsibility for the Marseilles assassinations. Croatian exiles not only were permitted to use Italy as a refuge from which to plot, but they apparently were given billets and military instruction. Very little has been said publicly about these things, but to secure that silence must have been costly for Italian policy. Certainly, M. Laval is not the man to shrink from using such a weapon in diplomatic bargaining. The other explanation for the apparent paucity of French concessions to Italy rests on the supposition that in certain secret articles Laval gave Mussolini, if not *carte blanche* in Abyssinia, at least wide latitude in "adjusting frontiers." It is not inconceivable that the French Foreign Office would throw over the Abyssinians in order to immobilize Mussolini in Central Europe. If the French have given Mussolini permission to go ahead, that fact will soon be revealed by events.

To make French permission of real value, Britain would also have to acquiesce. In the accord signed by representatives of Great Britain, France, and Italy on December 13, 1906, after declaring in the preamble that "*L'intérêt commun de la France, de la Grande-Bretagne, et de l'Italie étant de maintenir intacte l'intégrité de l'Éthiopie*," it is stipulated in Article 3 that "*En tout cas, aucun des trois Gouvernements n'interviendrait d'une manière et dans une mesure quelconques qu'après entente avec les deux autres*."

As a matter of fact, the British Government has already committed itself. In a note delivered to Premier Mussolini by the British Ambassador on December 14, 1925, we find the following:

I have therefore the honour, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, to request your Excellency's support and assistance at Addis Ababa with the Abyssinian Government in order to obtain from them a concession for His Majesty's Government to construct a barrage at Lake Tsana, together with the right to construct and maintain a motor road for the passage of stores, personnel, &c., from the frontier of the Sudan to the barrage.

His Majesty's Government in return are prepared to support the Italian Government in obtaining from the Abyssinian Government a concession to construct and run a railway from the frontier of Eritrea to the frontier of Italian Somaliland. It would be understood that this railway, together with all the



necessary works for its construction and for its running, would have entirely free passage across the motor road mentioned above.

With this object in view the necessary identic instructions should be sent to the British and Italian representatives in Ethiopia to concert for common action with the Abyssinian Government in order to obtain that the concessions desired by the Governments of Great Britain and Italy regarding Lake Tsana and the construction of a railway to join up Eritrea with Italian Somaliland, should be granted contemporaneously. It remains understood that, in the event of one of the two Governments securing the concession sought for while the other Government failed to do so, the Government which had obtained satisfaction would not relax their whole-hearted efforts to secure a corresponding satisfaction for the other Government concerned.

In the event of His Majesty's Government, with the valued assistance of the Italian Government, obtaining from the Abyssinian Government the desired concession on Lake Tsana, they are also prepared to recognise an exclusive Italian economic influence in the west of Abyssinia and in the whole of the territory to be crossed by the above-mentioned railway. They would further promise to support with the Abyssinian Government all Italian requests for economic concessions in the above zone.<sup>1</sup>

These, and other provisions, were accepted by Mussolini in a note of December 20, 1925.

In the tripartite accord of 1906 Italy had been given the right to construct a railway uniting Eritrea and Somalia, west of Addis Ababa. By the 1925 agreement, the Italian trans-Abyssinian railway is not required to pass to the west of Addis Ababa. Furthermore, Britain surrenders to exclusive Italian economic influence not only all of western Abyssinia, but also the territory traversed by the projected trans-Abyssinian railway. These notes were communicated to Parliament by Austen Chamberlain on April 16, 1926. On June 9, the Abyssinian Government received identic notes from the British and Italian ministers at Addis Ababa, informing it of the terms of the new agreement. Ras Tafari (later to become the Emperor Hailé Selassié) saw in this joint *démarche* an intention to exercise pressure on him, and on June 19 vigorously protested to the League. As a result of this step, both Chamberlain and Mussolini had to seek refuge in assurances that nothing was farther from their minds than diminishing by an iota the sovereignty of Abyssinia or interfering in any way with the rights of a third power. The "third power" was, of course, France, which had quite properly protested that the 1906 convention explicitly forbade any agreements *à deux*. Besides, the clauses giving Italy exclusive economic rights in

<sup>1</sup> *British State Papers*, 1926, vol. XXX, Command paper 2680.

certain parts of Abyssinia were contrary to the terms of that convention, which guaranteed to Abyssinia her territorial *status quo* and to foreign powers the open door. In a communiqué issued by the Quai d'Orsay on July 4, 1926, following an interview between Briand and the Italian Ambassador, it was stated that "En ce qui concerne les stipulations d'ordre économique, celles-ci ne portent aucune atteinte au régime de la porte ouverte en Abyssinie." If this means anything, it is that the Italians had had to abandon their claims to that "exclusive economic influence" which the British had promised to help them obtain from Abyssinia. Thus, thanks to France and the League of Nations, Italy was deprived of even her "unlimited right of expectation."

Britain, on the other hand, had lost little if anything. Her great interest had been to prevent a change in the regime of the Blue Nile waters, essential to the very life of Egypt. In this she had been successful.<sup>1</sup>

This business of marching up the hill and down again had amply demonstrated, in case it had not been obvious before, that it was futile for Italy to make any plans concerning Abyssinia without first coming to terms with France. One therefore feels fairly safe in supposing that the Italians were assured of France's benevolence before embarking on their present policy.

The evidences that Italy is preparing to go ahead in Abyssinia, in case the way finally becomes cleared for her diplomatically, have been accumulating for some months. On November 3 King Victor Emmanuel arrived at Mogadishu for a sixteen day visit to Somalia. In the first week of December there took place at Naples an extraordinarily impressive reunion of the veterans of colonial wars. Shortly thereafter, General De Bono relinquished to Mussolini his post as Minister of the Colonies and went out to assume the combined governorships of Eritrea and Somalia. This in itself is symptomatic of impending change, for administering Eritrea and Somalia as a unit is about as simple as would be administering Alaska and Hawaii as a single territory.

Most significant of all have been the military preparations being carried out in Italy's East African colonies. Last summer the Ministry of Colonies at Rome admitted that Italy was "sending both soldiers and munitions to Eritrea and Somalia."<sup>2</sup> Ostensibly this movement was to guard against Japanese economic pene-

<sup>1</sup> For an accurate account of this whole diplomatic episode from December 1925 to August 1926 see Rouard de Card, *L'Éti opse au point de vue du Droit International* (Paris 1928).

<sup>2</sup> *New York Times*, September 9 1934.

tration into Abyssinia and to equip the colonies to defend themselves from Haile Selassie's army of 150,000 (recently modernized by a Belgian military mission) in case Abyssinia should attack while Italy was engaged in Europe. In an attempt to allay the alarmist rumors bred of these warlike preparations, declarations of pacific intentions and mutual friendship were issued at Rome by the Abyssinian *chargé d'affaires* and the Italian Foreign Office on September 29. Cynics were inclined to remark that such perfunctory protestations were unerring signs that trouble was brewing, and predicted that a series of diplomatic "incidents" would soon take place, to be followed, after public opinion had become properly exercised, by a war to defend the national honor. In other words, it was forecast that the story of Manchukuo was to be repeated in Abyssinia.

Such incidents are, in fact, a constant occurrence in that part of the world. Law and order, as defined in more highly developed states, does not exist in Abyssinia, especially around the periphery, far from the personal control of the Emperor. Under normal circumstances reports of border skirmishes and acts of violence against Europeans in Abyssinia indicate not so much an increase in lawlessness or xenophobia as a desire on the part of European governments to exploit these "incidents" as pretexts for bringing pressure to bear at Addis Ababa. But there cannot be much question as to the recent increase in the gravity of these incidents. An attack on the native troops guarding the Italian consulate at Gondar, in Northern Abyssinia, on November 17, was kept from becoming a possible *casus belli* by Abyssinia's action in promptly acceding to all Italian demands for indemnity and official apologies. Emperor Haile Selassie can be depended upon to go to considerable lengths to avoid trouble.

Much more serious was the battle at Ualual in early December. This time Haile Selassie felt that he could not and need not back down, in spite of Mussolini's very unbending attitude. The facts of the case, in so far as they are at present ascertainable, seem to be as follows. On December 5 there took place an engagement between Italian colonials and Abyssinian troops at the Ualual wells in the semi-desert region of Ogaden, which has hitherto been generally regarded as the southeast corner of Abyssinia. The Abyssinians are reported to have had 110 killed, and the Italians 30. The Italian Government claims that Ualual is in Somalia, and that they have been in possession of it for the last five years.

The crucial question is, then, not who was technically the aggressor in the passage at arms, but to whom does Ualual belong? According to a convention signed at Addis Ababa, May 16, 1908, the boundary between Abyssinia and Somalia was to be established "on the ground and in the shortest time" by representatives of the two governments. The convention set up certain rules for the general guidance of the boundary commissions. Articles 1, 2, and 3 provide that the frontier is to start from Dolo on the Juba River and proceed eastward and northeastward (in general paralleling the coast at a distance of about 200 miles) in such a way as to place the territories of certain specified tribes on the Italian side, and those of others on the Abyssinian. Article 4 stipulates that from the Webi Shebeli the boundary shall be drawn northeastward in such a manner that "all the territory belonging to the tribes toward the coast will remain to Italy, all the territory of Ogaden and all that of the tribes toward Ogaden will remain to Abyssinia." Now to delimit such a frontier on the basis of the areas inhabited by semi nomadic tribes was not easy. In 1910 a joint boundary commission initiated its task at Dolo, but, according to the Italian version, was prevented from proceeding very far by difficulties raised by the Abyssinian Government.<sup>4</sup> In any event, the boundary has never been drawn on the spot as article 5 of the 1908 convention provides. The Italians, unable to obtain a boundary by negotiation, have apparently set out to secure it by military occupation.

The occupation of Ualual, Rome insists, has been effective for several years. If this is so, it is worth noting that as late as November 16, 1934, there appeared a map of Somalia in the *Corriere della Sera* of Milan, with boundaries coinciding with those claimed by Abyssinia today. This sketch was no doubt copied from a map in the "Atlante delle Colonie Italiane" (pages 27-28) published in 1928 "under the auspices of the Ministry of Colonies," which places Ualual forty miles on the Abyssinian side of the tentative frontier. This same map, incidentally, includes part of Ogaden in Somalia, contrary to Article 4 of the 1908 convention. On a map that appeared in the *Stampa* of Turin, December 16, 1934, in connection with an article supposed to demonstrate conclusively the justice of the Italian stand, Ualual was located in Abyssinia.

<sup>4</sup> The text of the convention is in *Trattati Convenzioni Accordi Protocolli ed altri Documenti Relativi all'Africa 1884-1908* Supplemento alla Raccolta (Rome 1909) p. 177-178.

<sup>5</sup> Italian note to the League of Nations December 24, 1934.

This error was corrected by a new map appearing in the same paper on December 25. The battle of the maps extended to Geneva, where the League was forced to withdraw several that the Italian delegation found offensive. Prior to the Ualual incident, Italian colonial publications preserved a discreet silence concerning any Italian military penetration into Ogaden.

But the Imperial Court at Addis Ababa does not have to depend upon Italian periodicals for information as to what is happening in Ogaden. If it is true that the Italians have been at Ualual and nearby posts long enough to construct forts, roads, habitations, and radio stations, why, then, have the Abyssinians only now protested to Italy or the League? The chances are that they had protested to Rome, and failing to receive any satisfaction, had resolved to await some favorable juncture for carrying an appeal to the League.

The favorable moment arrived when the Ualual incident broke at the very time an Anglo-Abyssinian boundary commission was near at hand. The presence of neutral witnesses makes every difference when there is a question about events which transpire in such a remote and inaccessible region as Ogaden. On December 14 the League received a report of the clash at Ualual from Addis Ababa. The League Covenant was not invoked, for Abyssinia was waiting to see if Mussolini would arbitrate under the terms of the Italo-Abyssinian Treaty of August 2, 1928. According to Article 2 of this treaty "the two governments reciprocally undertake not to carry out, under any pretext, any action that might prejudice the independence of the other." In Article 5 "the two governments undertake to submit to conciliation or arbitration the questions that shall arise between them and which could not be solved by the normal diplomatic means, without having recourse to the force of arms." \* But Mussolini said there was nothing to arbitrate, and demanded apologies and indemnities from Abyssinia for its unprovoked aggression on Italian territory. There followed a series of notes to the League reiterating the customary charges and counter-charges. Finally on January 3, Abyssinia invoked Article 11 of the Covenant, thereby throwing the whole matter into the lap of the League just as M. Laval was starting for Rome.

To have haled Italy before the League Council and asked her to give an account of her actions in Ogaden would have been to

\* The Italian text of the Treaty will be found in *Oriente Moderno*, February 1929, p. 38.

create a situation loaded with diplomatic dynamite Mussolini could be expected to rebel proudly against appearing before the bar on charges by Abyssinia, of all nations England and France, on the other hand, for numerous reasons could not afford to have Italy threaten to leave the League—as indeed the Grand Council of Fascism over a year ago had favored, in case that international body were not drastically renovated Much pressure was brought on both sides by France and Britain, with the result that the issue was put over until the next meeting of the Council, on the understanding that the two interested governments in the meantime negotiate directly To get Abyssinia to drop her call for League action, Italy is reported to have given in all along the line on her demands for apologies and reparations

The explanation of Mussolini's capitulation is due, more than to anything else, to the reports of Colonel Clifford, British member of the Anglo Abyssinian Boundary Commission, present in the vicinity of Ualual before and after the battle This Commission, after three years of arduous labors, had demarcated the frontier between Abyssinia and British Somaliland All that remained was the knotty problem of the grazing grounds used by the tribes, who naturally are not sufficiently sophisticated to appreciate the sanctity of international boundaries It was while on a survey of these grazing grounds that the Commission came into contact with the Italian garrison at Ualual before December 5 Colonel Clifford in his report substantiates practically all the Abyssinian charges and concurs in the opinion that Ualual is in Abyssinia He furthermore openly accuses the Italians of provocation With this document to prove his case, the Abyssinian delegate at Geneva, M Hawariate, was in a position to wait for the Great Powers to come around to the Abyssinian point of view if they wished to prevent the question from being thoroughly aired before the Council

In the end, however, the Abyssinian tactical victory at Geneva may well prove to have been Pyrrhic Within a few weeks other incidents in Ogaden had led to further diplomatic tension and to an Italian press campaign against Abyssinia's barbaric incompetence as a state By February the Italian military preparations had assumed such proportions and the official positions of the two governments had become so apparently irreconcilable that the possibility of finding a peaceful formula consonant with the prestige of both parties did not seem promising

# WHO ARE THE GERMANS?

*By S. K. Padover*

**T**HE Aryan myth is not an invention of the Nazis. These neo-Teutons merely exploited a widely-held German belief which dates back to the nineteenth century, when it was developed by the Frenchman Gobineau and later elaborated by the Englishman Chamberlain. Prussia and her sympathizers, then struggling to weld the innumerable German "states" into a nation, found in the doctrine of Aryan, or Nordic, superiority a powerful political weapon. Heine proved himself a tragic prophet when he said: "In a certain tavern in Göttingen I had the opportunity of admiring the precision with which my friends 'the ancient Teutons' prepared the lists of those who would be proscribed by them as soon as they arrived in power. Anyone who was descended, even seven generations back, from a Frenchman, a Jew, or a Slav was to be condemned to exile."

There was a profound psychological reason for the spread of the Aryan race-myth in Germany. Fifteen hundred years of German history had left unhappy memories in the minds of the people who, by the end of the Middle Ages, were split into some two hundred separate principalities with their "particularist" loyalties. As Thomas Mann has pointed out, there seems to be something anarchic in the German character which drives it to extremes. The inability to form a united state, as did France and England and even Russia, gave the Germans a sense of national inferiority. Only against their historical background can their fanatical acceptance of the idea of Aryan superiority be understood. For Aryan — a purely philological term — soon was applied to race and became identified with German. Here at last the Teutonic people, smarting under political and social humiliation, found a secular religion which gave them psychic satisfaction. The French and the English dominated land and sea, but the Germans were the chosen race. All contributions to culture, in all ages and in all civilizations, so said the preachers of the Aryan cult, came from a select group "blessed with Nordic blood." And the Germans were "it."

That there is no such thing as an Aryan race, and that the Germans are neither Aryan nor Nordic nor a race, never troubled the politicians and the chauvinists. The German scientist Virchow

called the theory of an Aryan race "pure fiction" Reinach dubbed it "prehistoric romance" And Max Muller, the German scholar who was responsible for the philological word "Aryan," bluntly rejected the distortion of his concept "To me," he wrote, "an ethnologist who speaks of an Aryan race, Aryan blood, Aryan eyes and hair, is as great a sinner as a linguist who speaks of a dolichocephalic dictionary or a brachycephalic grammar It is worse than a Babylonian confusion of tongues — it is downright theft If I say Aryan, I mean neither blood, nor bones, nor hair, nor skull I mean simply those who speak an Aryan language"

But who, after all, are the Germans?

"Now from this island of Scandza [Scandinavia]," Jordanes, the oldest historian of the Goths, tells us, "as from a hive of races or a womb of nations, the Goths are said to have come forth long ago" Myth or fact, we have no means of determining this, or any other, racial origin What we do know is that in the early Christian centuries the Germans, driven by famine, began migrating southward into the Roman Empire, spreading throughout Europe, settling here, fighting there, being enslaved elsewhere

The migration of the Germans took the form of a fan, whose feeding source was in the north and its two extreme points reaching to Spain in the west and the Dnieper in the east In this way they "inundated" Europe and part of Asia Everywhere they commingled with and finally disappeared in the local population The third century Roman emperor Probus is remembered as the ruler who "Germanized the Roman provinces" He settled Vandals in Britain, Alemanni in Alsace, Goths in Moesia, Franks in Anjou and even in Pontus on the Black Sea "For us," Probus's biographer boasts, "the barbarians labor, for us they sow"

The northern barbarians — and they came in such hordes that the Lombard historian Paul the Deacon thought the word "Germany" derived from the Latin *germinare* to germinate — did not break through the Roman defenses until pressed by the Huns under Attila who crashed into the Roman Empire from the heart of Asia Some bewildered Romans seem to have confused the Huns with the Germans As a matter of fact, between the eastern nomads and the northern barbarians there was no racial kinship What the two invaders had in common was an almost equal innocence of civilization and a yearning for the same booty No wonder, therefore, that German tribes, especially the Thuring-



gians, joined in Attila's savage raids. The nomads finally occupied the Danube valley and left their racial imprint on what is now Rumania, Hungary, and southern Germany.

The second great admixture of races in Germany was the Slavic, whose origins lie in the field of myth and speculation. It would seem that, known as Sarmatians, these people in the time of Herodotus had their home in the Caucasus. They reversed the German process of migration and spread northward. Whatever their "race," the Slavs, who split into many tribes and went by various names, were neither "pure" nor "Nordic." By the second Christian century Slavic tribes had penetrated the Vistula and reached the Elbe. After the great German migration of the fifth century, the Slavs — Wends, Plaben, Lechs — broke through the Elbe line and overflowed the vacated lands as far west as Kiel and as far south as Trieste. Only a strip of land between the Rhine and the Saale was held by the twenty-three remaining German tribes, numbering no more than 1,000,000 people, if that much. Even this "corridor," however, was infiltrated by Slavs.

The Slavs thus probably occupied about two-thirds of the geographic area now known as Germany and made it their home. They held these lands for five hundred, and in some cases, for over a thousand years. The German *Drang nach Osten* — the "reconquest" of the eastern lands — did not begin until the ninth century, at first with small success. For after the year 1000 Boleslav the Brave built a great Polish state and effectively blocked the German thrust to the east. Not until the middle of the twelfth century did German nobles succeed in seizing some north-central lands from the Slavs. In 1140 Count Adolf von Holstein conquered the east coast of Holstein and sent out appeals to west Germany "to the end that all those who had sore need of land should go thither with their household to receive gifts of wide and fruitful soil, abounding in fish and meat and the sweetness of fat pastures." Other German nobles, and even Polish ones who had become Christian — Albert the Bear of Brandenburg, the Archbishop of Magdeburg, the Margrave of Meissen — followed the example of Count Adolph and initiated a religious crusade against the Slavs under the slogan: "He who will not be baptized shall die." Mecklenburg, Pomerania, Brandenburg, Saxony, Silesia were conquered politically. But the new German settlers did not oust the Slavs, numerically preponderant in most of those regions. The two "races" simply fused or, as German historians state it,

"the Slavs were absorbed" Eugenically there is nothing to choose between absorption and fusion

The third large dose of "foreign" blood was infused into Germany in the seventeenth century Already, as we have seen, Germany was largely Slav in the center and in the east, and partially Hun in the south, not to mention the Rhenish district which was Romanized Now two great events further served to dilute the 'pure' German blood the Thirty Years' War, and Brandenburg's expansion and colonization

The Thirty Years' War, fought for politico-dynastic reasons but in the name of religion, left Germany wrecked One need not detail the horror, the brutality, the conflagrations, the deadly epidemics of that utterly inhuman and senseless conflict Friend and foe, Swedes and Austrians, Germans and French, Danes and Tatars, Cossacks and Hungarians, Catholics and Protestants, all marched up and down the stricken land, ravaging and burning, raping and killing One million people were annihilated in Saxony within two years, out of three million Bohemians only some seven hundred thousand remained after the war, Württemberg lost three hundred and fifty thousand out of a total of four hundred thousand people In thousands of villages ninety eight percent of the population disappeared, nine-tenths of the cattle was destroyed, three-fourths of the soil was laid waste "Friend and enemy," the municipal council of Berlin complained, "have made the land a desert The fields of the peasants are abandoned All industry is prostrate Towns and villages are in ruins, for miles and miles one will find neither people nor cattle, not a dog or a cat"

The loss in population was the greatest disaster to Germany When the war broke out in 1618, Germany had had some 16,000,000 people, when the conflict ended in 1648, only 4,000,000 were left There was a fear that the nation would become extinct The local diet of Nuremberg proposed that the clergy marry and that each man take two wives That Germany ever recovered from this loss of three-fourths of her productive population is miraculous

From the racial point of view, it is important to keep in mind that the Thirty Years' War was most damaging to those areas where the population was more Teutonic than Slav For the Slavic northern and eastern lands — Brandenburg, Pomerania, and Prussia — suffered comparatively less than the rest of the

Reich. In the Hohenzollern territories of Brandenburg only a little over half the population was destroyed, whereas the percentage of mortality in the rest of Germany was three-fourths. Berlin may be taken as a typical example; in 1619 it had 12,000 people, and in 1654 only 6,000. The Duchy of Prussia, a Polish land which became the backbone of the Hohenzollern monarchy, was farthest removed from the scenes of conflict and had fewer losses in population than the other Germanic states.

The student of population must not neglect another aspect of the war, namely bastardy. The belligerents, especially the Holy Roman Emperor, unloosed upon Germany a horde of Cossacks and Tatars who both killed and raped. In violence, as perpetrated against women, there was nothing to choose between the European and the Asiatic soldiery. Both, to use a brutal phrase, imposed their paternity upon a reluctant people.

The disintegration of Germany had far-reaching effects upon the national character and institutions. Even the German language became corrupted. At least 2,000 French words found their way into German speech, not to mention Franco-Latin structure and suffixes which completely transformed the German tongue. The great Goethe, as late as the eighteenth century, still used hundreds of non-German words. One cannot read the German of the time without a sound knowledge of French.<sup>1</sup> "I believe," a seventeenth century German writer satirized his contemporaries, "that if one opened the heart of a *Deutschling* and looked into it, one would find there  $\frac{5}{8}$  French,  $\frac{1}{8}$  Spanish,  $\frac{1}{8}$  Italian, and hardly  $\frac{1}{8}$  German." Indeed no German scholar, except occasionally Leibniz, used his mother tongue. Latin was the language of science and scholarship, and even politics; French was the language of society.

The Treaty of Westphalia (1648) destroyed the last thread of German unity by Balkanizing the Reich. The peace settlement created some two thousand separate Germanies, of which three hundred were sovereign states, each with its own court, administration, flag, army, and loyalties. Some of these sovereign prince-

<sup>1</sup> A typical and amusing example of seventeenth century German is the following lyric (the French words are in italics):

*Reverirte Dame,  
Phoenix meiner ame,  
gebt mir audienz.  
Eure Gunst meriten  
machen zu falliten  
meine patienz.*

Ihr seid sehr *capable*,  
ich bin *prévalable*,  
in der *eloquenz*,  
aber mein *serviren*  
pflégt zu *dependiren*  
von der *influenz*.

lings ruled two square leagues of territory, others were the autocrats of a few hundred acres of land. Out of this welter of "states" and races Bismarck was to attempt to create a nation; and it was then that the myth of Nordic German superiority was found to be so useful in restoring the people's self respect.

The makers of the peace of Westphalia — French, Swedes, and Austrians — further helped to de-Teutonize the Reich by granting eastern Pomerania to the Elector of Brandenburg. Pomerania, supposedly the cradle of the typically Teutonic Prussian Junkers, was, as far back as the ninth century, an entirely Slavic land. Its name, deriving from the Polish word *Pomorze*, meaning "beyond the sea," shows its Slavic origin.

Frederick William, known as the Great Elector of Brandenburg and the real founder of the Prussian monarchy, had no nationalist or racial bias. Having acquired Polish Pomerania, he yearned for more Polish territory. He held the Duchy of Prussia in fief from the Polish crown, for which he paid an annual tribute of 120,000 florins. Two decades after he came to the throne, during the Swedish Polish war, Frederick William had so unscrupulously manœuvred his position that the hard pressed King of Poland was compelled to cede Prussia to the Hohenzollerns in perpetuity (1660). Prussia became not only the basis of the Hohenzollern monarchy but also gave that ruling family its royal title.

Neither Prussia nor Pomerania was German land. The Teutonic Order had conquered the Baltic provinces in the Middle Ages (and lost them again in the fifteenth century), but it was only a political conquest, the mass of the population in the towns and villages remained Polish. The ruling class had been Germanic, or Germanized, during the reign of the Order, but Polonized soon after those territories reverted to Poland. In any case it made no difference to the Polish peasants in Prussia whether their overlords were German or Polish, they, the masses, toiled on the land with a total disregard for racial theories.

The German nobles in Prussia had long intermarried with the Polish aristocracy, and many adopted Polish names. Thus von Mortangen became Morteski, Krockow changed to Krokowski, von Konopath was metamorphosed into Konopacki, von Prebendow turned into Przebendowski. In the Prussian diet of 1572 all the deputies, except the voyevoda of Marienburg, spoke Polish and listened to the royal instructions in that tongue. Twenty

years later the voyevoda of Marienburg resigned his presidency of the Senate to a colleague who was more efficient in Polish, "which language," he said, "is now commonly in use." Only some northern towns of Prussia — Marienburg, Elbing, Königsberg — retained their German speech; but they were isolated islands in a Polish sea.

The Great Elector, like the other German princes, was in the pay of France, although not always faithful to his paymaster. In fourteen years, from 1674 to 1688, he received 3,000,000 gulden in the form of subsidies, mainly from Louis XIV; all his ministers were likewise in the pay of the Sun King. Thus when Louis XIV, in 1662, robbed Germany of Lorraine, Frederick William, far from being indignant, received the news with "much courtesy." "He," the French Ambassador in Berlin reported to Louis XIV, "congratulates the king upon it." But Frederick William did more than pocket French gold; he also invited Frenchmen to settle in his depopulated dominions. When in 1685 Louis XIV revoked the Edict of Nantes which had guaranteed religious toleration to French Huguenots, the Great Elector of Brandenburg wisely appealed to the persecuted French Protestants to make their home in his territories. He granted the émigrés every facility for settlement. The Huguenots, comprising some of the ablest and most industrious French citizens, came to Brandenburg twenty thousand strong and finally merged in the German population. To them Germany, especially the Prussian monarchy, owed much of its industry, its horticulture, its skilled crafts, its prosperity.

Three-quarters of a century later Frederick the Great, who in respect to colonization followed his great-grandfather's example, paid these Frenchmen his honest tribute. "The industry of the French," Frederick wrote, "has enriched us with all these manufactures; they established factories of linen, serge, bunting, drugget, grey gown, crêpe, beaver hats, beaver and hare skins, and the dyeing of all these stuffs. Some of them became merchants and retailed the goods of the others. They gave to Berlin goldsmiths, jewellers, clock-makers, and sculptors. Those who settled in the country cultivated tobacco and raised in these sandy regions excellent fruit and vegetables."

When the Great Elector died in 1688 his territories and population had increased by one-third. He had added 13,000 square miles to the original 35,000, and 300,000 people to the 900,000

which he had inherited. The new lands were all Polish, and the new population was Polish and French.

Frederick the Great, the much invoked hero of the neo-Teutons, was the ruler of an essentially Slavic kingdom and he was neither a racist nor a "Nordic." Like his ancestors, he had a desire for more Polish territory and a love for "foreign" colonists. It is notorious that he disliked everything German, including the language. Prussians, in his opinion, were good only for cannon fodder. But unlike other German rulers who were in the habit of selling their subjects as mercenaries to foreign potentates, the Prussian king never sold his. On the contrary, he increased his population by conquest, colonization, and plain robbery. And the newly acquired subjects were non-Nordic.

In 1741 Frederick, as is well known, seized the province of Silesia from Maria Theresa. This Catholic land, Germanized under the Hapsburgs, embraced an area of 600 square miles and contained 1,200,000 inhabitants. Like the other eastern territories, Silesia was originally Polish, and a portion of it has since reverted to that country. The Hohenzollern crown now possessed a good sized Polish kingdom: Pomerania, East Prussia, Silesia. But West Prussia, Ermeland, Danzig, and the contiguous lands — the present-day Polish "Corridor" in part — were still under the control of the Warsaw government. For strategic and commercial reasons, Frederick schemed to wrest these provinces from the Poles. For these lands would not only "round out" the scattered Hohenzollern possessions, but would also give Prussia control over the Vistula River all the way to Danzig, and thereby strangle Polish commerce. "We will become," Frederick said frankly, "the master of all Polish products and all imports, which are considerable."

With the aid of Catharine II ("the Great") of Russia, Frederick consummated his project. In 1771 he and the Tsarina concluded a treaty whereby each was to take a specified slice of Polish territory, in the following year Austria reluctantly acceded to this international hold-up. So eager was the Prussian king to lay hands on the coveted Polish lands that even before he signed the treaty — the so-called First Partition of Poland — he sent dragoons into the peaceful province, quartered them upon the Polish folk, taxed them, and confiscated provisions. More than that, the royal friend of Voltaire acted like an Attila. "The King of Prussia," to quote the Saxon Ambassador in Berlin, "has

caused to be taken from Poland nearly 7,000 girls of from sixteen to twenty years of age, and he demands that, from every tract of so many acres, there shall be delivered to him a maiden or girl with cow, a bed, and three ducats of money." A feather-bed, four pillows, and two pigs completed this compulsory dowry. "This rigor," the Saxon diplomat concluded, "has driven the people to despair." The Polish girls were then transported to Pomerania and there forced to marry. Presumably, they became the mothers of pure-Teutonic offspring.

To Frederick, the 644 square miles of Polish territory with an annual income of 2,000,000 crowns which the First Partition netted him, were of greater importance than the 600,000 new subjects. But to the student of population, an addition of over half a million people to a state which totalled no more than three million is a fact of significance. Not counting the Second and Third Partitions of Poland, which brought the Hohenzollerns more Polish land and people, we may conclude that the kingdom of Prussia, the largest state in Germany, was already by the end of the eighteenth century an overwhelmingly Slavic state.

But it would be a mistake to assume that Prussia is all Slav. Its blood is probably only nine-tenths Slav, as in the rest of Germany it is about three-fourths Slav. The other elements in the Reich are Dutch, Bohemian, French, Jewish, and Teutonic. For the colonization policy of the Great Elector was continued by his successors, the first three kings of Prussia. At the end of one century of settlement, in 1770, one-sixth of Prussia's population, approximately 600,000 persons, were either colonists or descendants of colonists, Dutch, Czech and French.

As for the Jews, they had lived in the Reich, particularly in the Rhineland, as long as the Germans, having come there either with or soon after Julius Cæsar. Although the Germans had always treated the Jews brutally, killing them in times of crisis, as during the Crusades, it is obvious that not all the Jews were exterminated. Germany now has only some half a million Jews, an astonishingly small number when one considers merely arithmetical augmentation over a period of more than fifteen hundred years. In the Middle Ages compulsory conversions of Jews to Christianity were frequent. Later, especially in the eighteenth century under the misinterpreted teachings of Moses Mendelssohn, Jewish conversions were so numerous that the historian Graetz was led to exclaim: "It must be considered a

miracle that the entire Jewish party of enlightenment in Germany did not abjure Judaism." As late as 1823 in Berlin 1,236 Jews turned Christian. Intermarriage followed apostasy. Consequently the percentage of Germans having Jewish blood must be considerable. The accepted figure of partially Jewish Germans is 5,000,000, but it may be as high as 10,000,000.

It is sad that at this late date in Occidental civilization one should have to repeat the obvious that creative achievements are the result of cross-fertilization of mind and body, that culture is a continuous process to the making of which all nations and "races" have contributed, and that, finally, no one nation can truthfully claim either racial purity or cultural originality.

Modern Germany is a "melting pot" of most of the peoples of Europe, and for that reason it has made fine contributions to European culture in the last century. One need not have the testimony of a scientific German ethnologist, to the effect that only a fraction more than one percent of the Reich's population is Teutonic, to know that there are dark-haired Germans and red haired, long headed and square-headed, broad-faced and narrow-faced, there are even blond and blue-eyed Germans.

The pure race theory is a colossal lie. Only those devoid of self respect prate about "pure" blood, when all corpuscles look alike under the microscope. At least one fascist dictator knows that "Of course there are no races left," Mussolini said, "for not even the Jews have kept their blood unmingled. Successful crossings have often promoted the energy and the beauty of a nation. Race! It is a feeling, not a reality. National pride has no need for the delirium of race."



# THE EXPANSION OF JAPANESE RULE

By Edgar Packard Dean

**W**ITHIN the recollection of men still alive, Japan has evolved from a small feudal principality voluntarily shut off from the rest of the world to the status of a Great Power whose influence is felt in every quarter of the globe. Seventy years ago Japan had a population of 33 million. The present Japanese Empire, excluding Manchuria, has 92 million subjects, a total surpassed only by the United States, the British Empire, Russia and China.

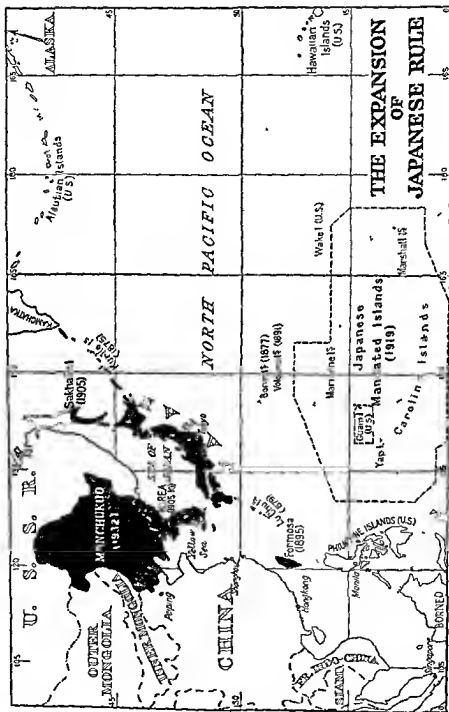
*The Consolidation of Japan Proper.* At the time of the Meiji Restoration in 1868 Japan consisted of the four large islands of Hokkaido, Honshu, Shikoku, and Kyushu, and a peripheral zone of 4,068 islets. The total land area was 146,689 square miles. The country was economically self-sufficient; and the population, some 30 million, had been stationary for a century and a half.

The first instances of expansion should be regarded as the realization of nominal claims of sovereignty. In 1875 the *Kuriles*, a chain of thirty islands lying to the northeast, were formally annexed (see map). The islands had and still have a primitive economy, furs and fish being the principal exports. Two years later Japan acquired the *Bonin Islands* after a period of contested ownership with the United States. These are a group of 27 islands, with a population of 5,000 souls; they have a vegetation of tropical luxuriance and possess many valuable woods. (The adjoining *Volcano Islands* were annexed in 1891.) In 1879 the *LuChus* were annexed by virtue of Japan's position as feudal overlord. The *LuChus* form an archipelago of 55 islands. The soil is fertile, and crops are fairly diversified, sugar cane being the most important. The people are of the same racial stock as the Japanese.

*Formosa (Taiwan)* was acquired from China in 1895 as a result of the Sino-Japanese War. This is a tropical island situated a hundred miles off the Asiatic coast, with a land area of 13,840 square miles. It is Japan's tropical storehouse *par excellence*. Tea, rice, lumber and sugar are produced in abundance, sugar being considered the most important for the future development of the island. Camphor woods are extensive and the world output of camphor is virtually controlled by Japan. Formosa and the neighboring *Pescadores* have a population (1932) of 4.6 million, of which 94 percent are Chinese. The Japanese, though only 5 percent of the total population, control the island's political and economic life.

*Korea (Chosen).* Economic preponderance in the independent kingdom of Korea (85,613 square miles) was granted to Japan in 1905 as a result of the Russo-Japanese War. Formal annexation came in 1910. Korea is mainly agricultural, the chief crops being wheat, barley, rice and the soya bean. In 1910 the population was 13.3 million; in 1932 it was 20.5 million, of whom only 2.5 percent were Japanese. Here, too, the Japanese colonists dominate the political and economic life.

*Sakhalin.* By the Treaty of Portsmouth in 1905 Russia gave all the island south of the fiftieth parallel to Japan. The Japanese part, Karafuto, has a land area of 14,000 square miles. The island has a cold, foggy climate with only one



hundred days suitable for crops. Fisheries, forests and mines constitute the basis of the economic life. Small but rich coal deposits are being actively developed. Of a total population of 295,000, nearly 98 percent are Japanese.

*The Mandated Islands.* One of Japan's few gains at Versailles was a mandate over the formerly German-owned islands in the Pacific comprising the Mariannes, Caroline, and Marshall groups. The Mandated Islands are a salient dividing the United States possession of the Hawaiians in the east from the Philippines in the west, and making Guam an isolated American colony in a Japanese sea. The Mariannes have a fertile soil adapted to the raising of sugar cane, and Japan has done much to promote this crop. The Carolines, with valuable phosphate mines, are the administrative and naval center for the entire mandated zone. The Marshalls are rich in coconut palms and copra. The three archipelagoes as a group are highly valuable to Japan. They are valuable for strategic reasons, for their products, and as an outlet for Japanese emigration. As a result of government policy, the population of the islands has increased from 52,000 in 1920 to 80,500 in 1933. Of this gain of 28,500 all but 1,500 were emigrants from Japan. It is these Mandated Islands that Japan has been accused of fortifying in violation of the Treaty of Versailles.

*Manchukuo (including the Kwantung Leased Territory and the South Manchuria Railway Zone).* Territorially this is the largest of the areas controlled by Japan. It comprises some 548,000 square miles, an area more than twice the size of Texas, and has a population of 31 million, of whom 2.7 percent are Japanese. Of all the areas under Japanese control, Manchukuo is by far the most valuable. The soil is fertile and gives Japan a supply of many food products. The amount of cotton which is raised can be increased, though never to the point of supplying the mother country with all its needs. There are extensive mines of coal and iron, key minerals in which Japan is very deficient. As an outlet for population and as a source of raw materials, Manchukuo is invaluable to overcrowded, industrialized Japan.

This brief sketch of the growth of the Japanese Empire reveals several significant facts. In the first place, the expansion of the Empire was not an affair of logic. It had begun even before Japan was mistress of her own household. Expansion into the Pacific and over the Asiatic continent was simultaneous, forcing Japan to become both a naval and a land power. In the second place, many of the Japanese gains have been made at the expense of China, and this despite the fact that the two Powers have been formally at war for only a few months in a sixty-year period. Thirdly, the number of Japanese in the colonies is not large. Only 5 percent of the population of Formosa is Japanese; in Korea the proportion is only 2.5 percent; and in Manchukuo 2.7 percent.

Lastly — and this is a strategic consideration — the Japanese possessions are so situated as to form two cordons of defense against any approach to Eastern Asia by sea. The inner defense lies along the line of the islands of Japan proper, extending northeast to the Kuriles and southwest to Formosa. The outer cordon is a great arc, beginning on the Japanese mainland behind Tokyo, reaching east and south to the Bonin Islands, passing through Yap, and terminating south of the Philippines. Inside these two strategic lines, Tokyo can exercise its naval strength as it chooses. Japan is, indeed, free to become a continental power because she is already a Pacific power.

A stimulating essay on international law as theory and practice, with due reference to psychological, historical and political factors.

**FREEDOM OF THE SEAS.** BY EARL W. CRECRAFT. New York: Appleton, 1934, 304 p. \$3.00.

An able restatement of the traditional American position, together with a defense of that position against recent proposals to scrap the old ideas of neutrality. The author concludes that it is best not only for this country but for the world at large.

**DISCURSOS INTERNACIONALES.** BY SALVADOR DE MADARIAGA. Madrid: Aguilar, 1934, 253 p. Pes. 5.

Addresses of the post-war period, touching especially disarmament.

**THE LEAGUE YEAR-BOOK, 1934.** EDITED BY JUDITH JACKSON AND STEPHEN KING-HALL. London: Nicholson, 1934, 598 p. 12/6.

The third annual edition of a valuable hand-book, devoted largely to a review of the work of the League during the past year and containing an indispensable and exhaustive bibliography.

**A BETTER LEAGUE OF NATIONS.** BY F. N. KEEN. London: Allen and Unwin, 1934, 160 p. 5/.

The author proposes to vest ultimate power in the Assembly.

**INTERNATIONAL INTELLECTUAL CO-OPERATION.** London: Allen and Unwin, 1934, 194 p. 2/.

A detailed official record of the activities of the Institute of Intellectual Coöperation.

**LABOR IN THE LEAGUE SYSTEM.** BY FRANCIS G. WILSON. Stanford: Stanford University Press, 1935, 396 p. \$4.00.

A scholarly monograph, based upon extended research and observation. The author reviews the Labor movement which led to the establishment of the I. L. O., and then analyzes the latter's structure, working and accomplishments.

**MANDATS ET SOUVERAINETÉ.** BY L. COMISSETTI. Paris: Sirey, 1934, 168 p. Fr. 30.

The vexed question of sovereignty over mandated areas discussed again, with special critical treatment of Article XXII of the Covenant.

**INTERNATIONAL NARCOTICS CONTROL.** BY L. E. S. EISENLOHR. London: Allen and Unwin, 1934, 295 p. 10/6.

A systematic, critical account of the League's work for the control of narcotics. One of the best books on the subject.

**WHY WARS MUST CEASE.** EDITED BY ROSE YOUNG. New York: Macmillan, 1935, 170 p. \$1.00.

A collection of articles by ten leading American women workers in the cause of peace.

**CHALLENGE TO DEATH.** London: Constable, 1934, 343 p. 5/.

A collection of essays, many of them incisive as well as eloquent, by some of the leading British advocates of peace.

**THE POWER OF NON-VIOLENCE.** BY RICHARD B. GREGG. Philadelphia: Lippincott, 1934, 359 p. \$2.50.

The philosophy of non-violence and the possibility of its use in the western world, by a friend and follower of Gandhi.

**THE PIPE DREAM OF PEACE.** BY JOHN W. WHEELER-BENNETT. New York: Morrow, 1935, 318 p. \$3.00.

Probably the best short examination of the Disarmament Conference and the reasons for its failure to accomplish anything. The author dissects the problem itself, and then puts it in its world setting and tries to determine what factors in the general international situation contributed to ruining the effort at agreement.

**A SEARCHLIGHT ON THE NAVY.** By HECTOR C. BYWATER. Toronto: Macmillan, 1934, 320 p. \$3.50.

A well-known British writer reviews the naval situation in the world at large, criticizes the limitation agreements since 1922, and suggests new conditions of limitation.

**INTERNATIONAL TRAFFIC IN ARMS AND MUNITIONS** COMPILED BY JULIA E. JOHNSON. New York: Wilson, 1934, 294 p. 90 cents.

A collection of abstracts and other materials for reference.

**"ONE HELL OF A BUSINESS"** By HELMUTH C. ENGELBRECHT. New York: McBride, 1934, 95 p. \$1.00.

An analysis of the evidence submitted to the Senate investigating committee, by one of the authors of "Merchants of Death."

**NATIONALITY AND THE PEACE TREATIES** By WILLIAM O. MOLODY. London: Allen and Unwin, 1934, 275 p. 7/6.

An important book, by a League official. The author defends the peace treaties and the minority protection provisions, but pleads for the hundreds of thousands who were made stateless, especially in the Succession States of the Hapsburg Monarchy.

**WORLD POLITICS AND PERSONAL INSECURITY** By HAROLD D. LASSWELL. New York: McGraw Hill, 1934, 307 p. \$3.00.

A stimulating psychological approach to international relations, by a well-known writer on propaganda technique. The author examines the basic concepts and symbols which are so potent in the national or class mentality, discussing the ideas of balance of power, security, equality, imperialism, etc. He then turns to economic factors, travel and contact, the molding of opinion and general political attitudes.

**MOBILIZING FOR CHAOS** By O. W. RIEGEL. New Haven: Yale University Press, 1934, 231 p. \$1.50.

This is a book that had to be written and that should be widely read. No other volume gives factually and in brief scope the story of modern news control. It deals not only with the complete domination of the press by the governments in Japan, Russia, Germany and Italy, but also with the radio and the news agencies. There is probably no problem in international relations more serious than this, and no one interested in modern politics can afford to overlook this excellent presentation of the salient facts regarding the mobilization and control of public opinion.

**DAS INTERNATIONALE ZEITUNGSWESEN** By KARL BOMER. Berlin: De Gruyter, 1934, 134 p. M. 1.60.

Another excellent study, dealing chiefly with the economic and political organization of the press in pre-Nazi Germany, but discussing also conditions in other countries.

**LE MYTHE DE LA DÉMOCRATIE.** By C. M. VICARD. Paris: Figuière, 1934, Fr. 10.

Still another telling attack upon the domination of the press.

**OUR OWN TIMES, 1913-1934** By STEPHEN KING-HALL. London: Nicholson, 1935, 449 p. 10/6.

The first volume of a thoughtful political and economic synthesis in which the author attempts to explain the death of an old order and the birth of a new.

**FOUR PATTERNS OF REVOLUTION** By ETHAN COLTON. New York: Association Press, 1935, 313 p. \$2.50.

A competent and interesting book, aimed at supplying the layman with an understandable survey of the Bolshevik, Fascist and Nazi experiments and at interpreting the objectives of the New Deal.

**LA RÉVOLUTION DÉMOGRAPHIQUE.** By ADOLPHE LANORY. Paris: Sirey, 1934, 229 p. Fr. 25.

A survey of present-day population problems.

**MODERN TRENDS IN WORLD RELIGIONS.** EDITED BY A. EUSTACE HAYDON. Chicago: University of Chicago Press, 1934, 255 p. \$2.50.

A valuable survey, by various authorities, of the influence and effects of scientific thinking and new social and political forces upon the leading religions of the world.

### *General: Economic*

**SURVEY OF CONTEMPORARY ECONOMICS.** EDITED BY NORMAN S. BUCK. New York: Nelson, 1934, 846 p. \$3.00.

A collection of articles from the *New York Times*, supplying the story of American economic developments from January 1933 to July 1934.

**THE CORRECT ECONOMY FOR THE MACHINE AGE.** BY A. G. MCGREGOR. New York: Pitman, 1935, 256 p. \$2.00.

A business man's explanation of the crisis. His suggestions for a solution hinge chiefly on a rise in salaries and wages to increase purchasing power and restore the balance of production and consumption, and on a regulation of foreign trade and exchange.

**INTERNATIONAL ECONOMIC RELATIONS.** Minneapolis: University of Minnesota Press, 1934, 406 p. \$3.00.

The report of the Commission of Inquiry into National Policy in International Economic Relations. The conclusions oppose isolation and favor stimulation of foreign trade by a lowering of the tariff.

**THE FUTURE OF GOLD.** BY PAUL EINZIG. New York: Macmillan, 1934, 145 p.

The author discusses some current fallacies.

**GERMAN MONETARY THEORY, 1905-1933.** BY HOWARD S. ELLIS. Cambridge: Harvard University Press, 1934, 477 p. \$5.00.

A thorough, scholarly study of monetary theories in Germany and Austria, but with reference also to those held by Scandinavian and English writers. One of the best critical accounts of the problem.

**STABLE MONEY.** BY IRVING FISHER. New York: Adelphi, 1934, 442 p. \$3.50.

An historical study. Professor Fisher reviews the long struggle to attain a stable money and discusses at length recent theories and developments in Europe and America.

**THE INEVITABLE WORLD RECOVERY.** BY HAROLD FISHER. New York: Doubleday, 1935, 253 p. \$2.00.

A forecast of the new trade cycle, based primarily on a study of the monetary aspects of the crisis.

**ABOUT MONEY.** BY ERICH ROLL. Toronto: Ryerson, 1934, 255 p. \$2.00.

An introduction to general monetary theory, giving a good survey of recent views.

**MONEY, FOREIGN TRADE AND EXCHANGE.** BY H. J. WELCH. London: Allen and Unwin, 1934, 158 p. 4/6.

A dispassionate analysis by an author who is not wedded to the gold standard.

**DIE UMGESTALTUNG DER ZWISCHENSTAATLICHEN WIRTSCHAFT.** BY AUGUST SARTORIUS VON WALTERSHAUSEN. Jena: Fischer, 1935, 326 p. M. 17.

A general review of the vicissitudes of international trade since the beginning of the war, by an eminent authority.

**LIBERALE UND PLANWIRTSCHAFTLICHE HANDELSPOLITIK.** BY G. HABERLER. Berlin: Junker und Dünhaupt, 1934, 121 p. M. 6.50.

A competent, succinct survey of modern tendencies in international trade control and of the problems arising from the conflicts of opposing systems.

**LE PROBLÈME DU COMMERCE INTERNATIONALE.** BY F. OULES. Paris: Sirey, 1934, 483 p. Fr. 50.

Present-day national control, with special reference to legal aspects.

**ECONOMIC PLANNING AND THE TARIFF** By JAMES G SMITH Princeton University Press, 1934, 331 p \$3 00

The author criticizes price-fixing, quotas, exchange manipulation and other current practices as menacing the chances of recovery

**INTERNATIONAL COMBINES IN MODERN INDUSTRY** By ALFRED PLUMMER New York Pitman, 1934, 191 p \$2 50

A review of recent tendencies in some of the leading industries

**THE STRATEGY OF RAW MATERIALS** By BROOKS EMENT New York Macmillan, 1935, 216 p \$3 00

A technical study with reference primarily to the position of the United States

**KOHLE UND EISEN IM WELTKRIEGE UND IN DEN FRIEDENSSCHLÜSSEN** By F FRIEDENSBURG Munich Oldenbourg, 1934, 332 p M 7 50

This is a long needed book, as important for the student of politics as for the student of economics, for it brings together a mass of material showing the influence of coal and iron supplies upon international relations before and during the war, and analyzes in detail the part played by these important materials in the formulation of the peace terms. Such subjects as the Upper Silesian question, the invasion of the Ruhr, and of course the Saar problem, are dealt with at some length

**THE BUDGET IN GOVERNMENTS TODAY** By A E BUCK New York Macmillan, 1934, 349 p \$3 00

A useful handbook giving the essential facts regarding the budget systems in this and various European countries

**ENDING THE UNEMPLOYMENT AND TRADE CRISIS** Edited by EDGARD MILHAUD London Williams, 1935, 354 p 6/

A series of essays by prominent economists touching on the editor's proposals for the introduction of purchasing certificates and an international clearing system

### *International Relations of the United States*

**THE STUDY OF INTERNATIONAL RELATIONS IN THE UNITED STATES** Edited by EDITH E WARE New York Columbia University Press, 1934, 503 p \$3 50

A systematic survey of existing agencies and opportunities for study, making, in the large, an impressive showing

**THE AMERICAN DIPLOMATIC GAME** By DREW PEARSON AND CONSTANTINE BROWN New York Doubleday, 1935, 398 p \$3 00

A lively account of American policy in the last half-dozen years, with special reference to the problems of coöperation and isolation. Full of gossip and report, some of it well founded, but not all of it as novel as the authors seem to think

**FRIENDLY RELATIONS** By BECKLES WILLSON Boston Little, Brown, 1934, 347 p \$4 00

Amiable biographical and historical essays on the long line of British ministers and ambassadors to Washington

**AUTOPSY OF THE MONROE DOCTRINE** By GASTON NERVAL New York Macmillan, 1934, 368 p \$3 75

The author, a Latin American writing under a pseudonym, regards the doctrine as a thing of the past and indicts it on numerous counts, the gist of the argument being that the pronouncement of the doctrine was superfluous to begin with, that it was intended to serve selfish purposes, that it has been transformed to suit the needs of the United States, that it has not helped Latin America, and that it has arrested the development of true Pan Americanism. The author has drawn freely on the best scholarly literature and makes out a strong case

**THE STATE PAPERS AND OTHER PUBLIC WRITINGS OF HERBERT HOOVER.** EDITED BY WILLIAM S. MYERS. New York: Doubleday, 1934, 2 v. \$7.50.

The annual and special messages, proclamations, speeches, etc.

**BLISS, PEACEMAKER.** BY FREDERICK PALMER. New York: Dodd, 1934, 486 p. \$4.00.

An important contribution to the history of American diplomacy, based upon the papers of the former Chief of Staff and American member of the Supreme War Council. General Bliss was a learned soldier, an uncommon type, combining practical experience in the military art with a deep knowledge of history and a concern for contemporary international relations. The present volume contains chapters on Cuba (1898-1900) and the Philippines (1905-1909). But it of course derives its real importance from the light it throws on the conduct of the war and on the Paris Peace Conference. The author makes it clear that General Bliss exercised more influence on American policy as a member of the Supreme War Council than in framing the terms of peace. Some of his views, one is bound to think, often were nearer right than those of other advisers to whom the President listened with more attention in Paris. The volume devotes too little space to General Bliss's activities in the post-war years, when he arranged his political theories in order and wrote and spoke them publicly with great effect.

**AN ADMIRAL FROM TEXAS.** BY HENRY A. WILEY. New York: Doubleday, 1934, 322 p. \$3.00.

A chatty book by a well-known American commander in the war.

**TRUE ANECDOTES OF AN ADMIRAL.** BY ROBERT E. COONTZ. Philadelphia: Dorrance, 1934, 123 p. \$1.75.

The author, a leading advocate of preparedness, was for four years Chief of Naval Operations.

**AMERICAN MILITARISM.** BY ELBRIDGE COLBY. Washington: Society of American Military Engineers, 1934, 122 p. \$1.00.

An outline history of the organization and policy of the army.

**THE NEW DEMOCRACY.** BY HAROLD L. ICKES. New York: Nottan, 1934, 156 p. \$1.50.

A vigorous defense of the New Deal by the Secretary of the Interior.

**WHAT OF TO-MORROW?** BY OGOEN L. MILLS. New York: Macmillan, 1935, 151 p. \$2.00.

Twelve speeches in which a Republican leader, former Secretary of the Treasury, discusses present trends in government policy.

**THE NEW AMERICA.** BY SIR ARTHUR STEEL-MAITLAND. New York: Macmillan, 1934, 252 p. \$3.00.

A competent analysis and interpretation, based upon several months of detached study and observation of the New Deal.

**THE ECONOMIC CONSEQUENCES OF THE NEW DEAL.** BY BENJAMIN STOLBERG AND WARREN J. VINTON. New York: Harcourt, 1935, 85 p. \$1.00.

The authors conclude that the tendency of the new system is to promote monopolistic trends at the expense of the middle classes.

**THE BATTLE FOR DEMOCRACY.** BY REXFORD G. TUGWELL. New York: Columbia University Press, 1934, 336 p. \$3.00.

A collection of addresses and essays by the Undersecretary for Agriculture.

**LABOR'S FIGHT FOR POWER.** BY GEORGE E. SOKOLSKY. New York: Doubleday, 1934, 275 p. \$2.00.

A superficial estimate of the effect of the New Deal on labor relations.

**TAMING PHILIPPINE HEAD-HUNTERS.** BY FELIX M. AND MARIE KEESING. Stanford: Stanford University Press, 1934, 288 p. \$2.75.



Despite the rather sensational title, this is a careful, scholarly study of governmental and cultural conditions and problems in northern Luzon

### *The World War*

**BIBLIOGRAPHIE ZUR VORGESCHICHTE DES WELTKRIEGES** By ALFRED VON WEGENER Berlin Quaderverlag 1934, 136 p M 4

A book that has long been needed. It lists the official documents, principal memoirs and important secondary works dealing with the origins of the war

**BRITISH DOCUMENTS ON THE ORIGINS OF THE WAR, 1898-1914** Edited by G P GOOCH AND HAROLD TEMPERLEY London H M S O, 1934, 1190 p 20/

Volume IX, part 2, of the great British collection covering the latter part of the Balkan Wars. The importance of this source requires no emphasis

**DOCUMENTS DIPLOMATIQUES FRANÇAIS RÉLATIFS AUX ORIGINES DE LA GUERRE DE 1914** Series III, v VII Paris Costes, 1934, 666 p Fr 60

The latest volume of the French series carries the subject to August 10, 1913

**WIRTSCHAFT UND STAAT IM SÜDOSTEUROPAISCHEN RAUM, 1908-1914** By GOTTFRIED HOBUS Munich Reinhardt, 1934, 207 p

A reconsideration of Austrian and German policy in the Balkans in the light of economic pressures. Based largely upon the Austrian Documents

**DIE ENGLISCHE POLITIK IM JULI 1914** By E ANRICH Stuttgart Kohlhammer, 1934, 536 p M 27

A minute examination of British policy in the July crisis, based upon all available material

**A HISTORY OF THE GREAT WAR, 1914-1918** By C R M CRUTTWELL New York Oxford University Press, 1934 663 p \$5 50

This is perhaps the best one volume history of the war available in English. The work of a trained historian who himself served with the armies, it is dispassionate and yet critical. This sort of reliable, non technical book has been lacking, and it therefore ought to make a wide appeal

**LA BATAILLE DES DEUX MORINS** By COLONEL A GRASSET Paris Payot, 1934 288 p Fr 20

An important reconsideration of the Marne campaign, with plenty of criticism for both sides, and emphasis on the part played by Franchet d'Esperey

**LE CHEMIN DES DAMES** By GENERAL J ROUQUEROL Paris Payot, 1934, 200 p Fr 18

A well known French military historian reviews the great engagement of April 1917

**UDARNAIA ARMIJA 1918 g** By N VARFOLOMEYEV Moscow Gosizdat, 1933, 203 p

A study of the great German offensive on the West front in the spring and summer of 1918

**DER MANN, DER TANNENBERG VERLOR** By A NOSKOFF Berlin Schlegel, 1934, 167 p M 3 35

A translation from the Russian of important material on the defeat of Samsonov

**GIUGNO 1918** By G BAJ MACARIO Milan Corbaccio, 1934 427 p L 12

A detailed technical account of the battle of the Piave, based upon material from the historical section of the High Command

**THE SUBMARINE PERIL** By ADMIRAL OF THE FLEET EARL JELlicoe Toronto McClelland, 1934, 256 p \$3 00

A reply and correction to the account given in Lloyd George's memoirs. Lord Jellicoe goes over the whole problem and describes the policy of the Admiralty in 1917

**THE RIDDLE OF JUTLAND.** BY LANGHORNE GIBSON AND VICE-ADMIRAL J. E. T. HARPER. New York: Coward McCann, 1934, 433 p. \$4.00.

Really a survey of the war on the sea, with a special treatment of the Jutland battle. The book is well-informed and accurate, using both German and British material, but it is somewhat rhapsodically favorable to Jellicoe.

**DANGER ZONE.** BY EDWARD K. CHATTERTON. Boston: Little, Brown, 1934, 437 p. \$4.00.

An authentic account of the Queensland command, by a well-known writer on naval affairs who served four years there.

**GAS! THE STORY OF THE SPECIAL BRIGADE.** BY MAJOR-GENERAL C. H. FOULKES. London: Blackwood, 1934, 377 p. 30/.

The most important book from the British side on the gas service during the war. The author was commander of the special brigade.

**DER KAMPFWAGENKRIEG.** BY LUDWIG RITTER VON EIMANNSEBERGER. Munich: Lehmann, 1934, 216 p. M. 8.

A thorough study of tank warfare, one of the few German books on the subject.

**DIE DICKE BERTA UND DER KRIEG.** BY KARL JUSTROW. Berlin: Historisch-Politischer Verlag, 1935, 108 p. M. 4.30.

Discusses the technical aspects of the Big Bertha and goes into the strategy and tactics of its use in the Great War.

**ALL'S FAIR.** BY HENRY LANDAU. New York: Putnam, 1934, 329 p. \$3.00.

The British secret service behind the German lines during the war.

### *Western Europe*

**L'EUROPE TRAGIQUE.** BY GONZAGUE DE REYNOLD. Paris: Spès, 1934, 510 p. Fr. 20.

A philosophical discussion by a Catholic writer who concludes that the war ended the age of individualism and that the future lies with a resurrection of the mediæval monarchy and the guild system.

**BOLSHEVISM, FASCISM AND THE LIBERAL-DEMOCRATIC STATE.** BY MAURICE PARMELEE. New York: Wiley, 1934, 430 p. \$2.25.

A survey of the leading forms of government of the present day, with emphasis on the international, social and economic structure.

**L'INQUIÉTUDE DU MONDE.** BY FRANCESCO NITTI. Paris: Denoel et Steele, 1934, 357 p. Fr. 15.

After a long silence the Italian statesman returns to the attack, striking out at nationalism, communism and many other evils, and prophesying another war unless the world mends its ways.

**CRISIS IN EUROPE.** BY GEORGE SLOCOMBE. London: Selwyn, 1934, 234 p. 10/6.

A good journalistic survey of European problems, with emphasis upon the aftermath of the treaties and the problems of rampant nationalism.

**THE SECOND WORLD WAR.** BY JOHANNES STEEL. New York: Covici-Friede, 1934, 220 p. \$2.00.

The European and Far Eastern situations as seen by a sensational writer who is constantly predicting an early crash.

**EUROPEAN JOURNEY.** BY SIX PHILIP GIBBS. New York: Doubleday, 1934, 350 p. \$3.00.

Walks and talks of a reporter who tried to get the reaction of the common man to the problems of present-day Europe. Not profound.

**WORLD DIARY, 1929-1934** By QUINCY HOWE New York McBride, 1934, 403 p \$3 50

A chronology of five stirring years, by the editor of "The Living Age"

**THE MAN AND THE HOUR** Edited by ARTHUR BRYANT London Allan, 1934, 156 p 5/

Studies of Briand, Lenin, Pilsudski, Hitler and Mussolini by competent writers. The book gives a survey of European affairs as well as of leading personalities

**KÖPFE DER WELTPOLITIK** By G. WIRSING Munich Knorr, 1934, 313 p M 5 80

Comparable to the preceding excepting that it sketches thirty leaders in politics, war, finance etc

**LE CRÉPUSCULE DES TRAITÉS** By Y. M. GOBLET Paris Berger Levrault, 1934, 264 p Fr 15

The tragic end of the treaties, and how they might be revived for the good of France

**SWEDEN, THE LAND AND THE PEOPLE** By AGNES ROTHERY New York Viking 1934, 277 p \$3 00

A successful general handbook containing much interesting information on social and economic problems and policies

**ISLANDS VOLKERRECHTLICHE STELLUNG** By RAGNAR LUNDBERG Berlin Verlag für Staatswissenschaften, 1934, 134 p M 11

An historical survey of Iceland's constitutional position

**LE MINISTÈRE DES AFFAIRES ÉTRANGÈRES** By E. DE LEVIS MIREPOIX Angers 1934, 265 p

A documented account of the history and organization of the French Foreign Office since the days of the great revolution

**RAYMOND POINCARÉ** By R. DUMESNIL Paris Flammarion, 1934, 128 p Fr 3 75

A popular biographical sketch of the late statesman

**EASTWARD FROM PARIS** By ÉDOUARD HERRIOT London Gollancz, 1934, 318 p 10/6

The translation of Herriot's account of his mission to Russia

**FRANCE'S CRISIS** By PAUL EINZIG New York Macmillan, 1935, 139 p \$2 90

This frequent commentator is very critical of the French attitude on reparations, of French financial manipulations, and of the present French monetary policy

**1935, PAIX AVEC L'ALLEMAGNE?** By REGIS DE VIBRAYE Paris Denoel et Steele, 1934, 256 p Fr 15

A critical examination of the German situation, with special reference to French policy

**LE SOCIALISME EN FRANCE DEPUIS 1904** By ALEXANDRE ZÉVAÈS Paris Fasquelle, 1934, Fr 12

Essentially a collection of facts and documents, by a leading writer on the subject

**HISTOIRE DE LA PRINCIPAUTÉ DE MONACO** By LÉON H. LABANDE Paris Picard, 1934, 513 p Fr 30

A standard work.

**SPAIN** By SIR CHARLES PETRIE London Arrowsmith, 1934, 134 p 3/6

A brief popular introduction, in the "Modern States" series

**CATALUNYA, NACIÓ MEDITERRÀNEA** By R. GAY DE MONTELLÀ Barcelona Aleu, 1934, 217 p Pes 5 50

An historical survey of Catalan relations with Mediterranean lands, with emphasis on the brilliant commercial past

**FASCISM AT WORK.** By WILLIAM ELWIN. London: Hopkinson, 1934, 320 p. 10/6.

Evidently the work of an Italian liberal, writing pseudonymously. The book condemns the Fascist régime on almost all counts.

**WHY FASCISM?** By ELLEN WILKINSON AND EDWARD CONZE. London: Selwyn, 1934, 317 p. 8/6.

A thorough-going communist approach, arguing that Fascism is capitalism's last line of defense.

**L'ITALIE FASCISTE.** By RAYMOND RECOULY. Paris: Arthaud, 1934, Fr. 4.50.

Impressions of a well-known French journalist.

**MUSSOLINI'S NEUES GESCHLECHT.** By LOUISE DIEL. Dresden: Reissner, 1934, 222 p. M. 5.80.

The new Italy, seen by a fervent admirer.

**LE NOUVEAU RÉGIME CORPORATIF ITALIEN.** By J. LESCURE. Paris: Domat-Montchrétien, 1934, Fr. 10.

A competent study, by a professor of law at the University of Paris.

**GESCHICHTE DER ITALIENISCHEN PRESSE.** By ADOLF DRESSLER. Berlin: Oldenbourg, 1934, 183 p.

The third, concluding volume of a valuable history of the Italian press. The period here covered is that of the war and of Fascism.

**ITALIA E BULGARIA.** By G. NURIGIANI. Rome: Nuova Europa, 1934, 148 p. L. 10.

A scholarly review of the relations of Italy and Bulgaria in the past century.

**THE CAUSES OF THE GERMAN COLLAPSE.** COMPILED BY RALPH H. LUTZ. Stanford: Stanford University Press, 1934, 322 p. \$4.00.

A welcome abstract and translation of the voluminous report of the German investigating commission.

**ERINNERUNGEN UND DENKWÜRDIGKEITEN.** By HUGO LERCHENFELD-KOEFERING. Berlin: Mittler, 1935, 445 p. M. 11.

The valuable memoirs of the diplomat who for many years represented Bavaria in Berlin. A first-rate contribution to the history of the German Empire.

**LA TRAGÉDIE DE LA RÉPUBLIQUE ALLEMANDE.** By ALBERT GRZESINSKI. Paris: Plon, 1934.

The interesting memoirs of the former German Minister of the Interior.

**THE MEANING OF HITLERISM.** By WICKHAM STEED. London: Nisbet, 1934, 244 p. 5/.

One of the most outspoken English opponents of the Nazis here examines the whole Hegelian conception of the state and attempts to define what can be opposed to it.

**THE GERMAN REVOLUTION.** By H. POWYS GREENWOOD. London: Routledge, 1934, 348 p. 12/6.

A good study of the origins and course of the revolution by a sensible person.

**HEIL!** London: Lane, 1934, 203 p. 7/6.

Damaging pictures and spicy biographies of Nazi leaders, from the national gods to the local deities.

**MUNICH: DE LOUIS II À ADOLPH HITLER.** By FERDINAND BAC. Paris: Hachette, 1934, Fr. 15.

A record of social life in the Bavarian capital since 1877, by a French royalist.

**DAS DEUTSCHE HEER VOR DEM WELTKRIEG.** By M. VAN DEN BERGH. Berlin: Sanssouci, 1934, 222 p. M. 3.40.

A serious study of the organization and functioning of the old army.

**HITLER REARMS.** EDITED BY DOROTHY WOODMAN. London: Lane, 1934, 352 p. 10/6.

A compilation of edicts and press material to prove the point.

**RELIGION AND REVOLUTION** By ADOLF KELLER. New York Revell, 1934, 188 p \$2.00

Discusses fundamental problems and changes, especially in Germany. The book has a good interpretation of Karl Barth and of the present religious conflict.

**VOM U BOOT ZUR KANZEL** By M NIEMÖLLER. Berlin Warneck, 1934, 210 p. M 3.

The story of the submarine hero who has become one of the leading champions of independent Protestantism in Germany

**DER WEG DES POLITISCHEN KATHOLIZISMUS IN DEUTSCHLAND** By E. RITTER. Breslau Korn, 1934, 312 p M 5.50

A prominent Catholic publicist reviews the activity of the Center Party from 1918 to 1934, and demands the end of political activity under the new dispensation

**THE BLOODLESS POGROM** By F SEIDLER. London Gollancz, 1934, 288 p 5/

The economic and social boycott of the Jews in Germany

**THE RISE AND DESTINY OF THE GERMAN JEW** By JACOB R. MARCUS. Cincinnati Union of American Hebrew Congregations, 1934, 435 p \$2.00

A scholarly account of the Jews since 1871, the author maintaining that they will stay in Germany and adjust themselves to new conditions

**JEWS IN GERMANY** By JOSEF KASTEN. London Cressett, 1934, 166 p 6/

Primarily an historical survey of the position of the Jews, of past persecutions, etc

**DANCIG NEMZETKOZI JOGI HELYZETE** By JOZSEF SZABO. Szeged 1934, 79 p

A scholarly study of the position of Danzig which concludes that it is a sovereign state bound by treaties

**THE SAAR** By MARGARET LAMBERT. London Faber, 1934, 332 p 7/6

An impartial historical and analytical survey based chiefly on official documents

**THE SAAR AT FIRST HAND** By THEODOR BALK. London Lane, 1934, 482 p 12/6

Another pre-plebiscite work, perhaps the best presentation of the case for maintenance of the *status quo*

**LES MINORITÉS DANS LE TERRITOIRE DE LA SARRE** By M VICHNIAC. Paris Pedone, 1934, Fr 10

A technical examination of the position of minorities after the restoration of German rule, by a professor of international law at The Hague

### *Eastern Europe*

**A SHORT HISTORY OF CZECHOSLOVAKIA** By KAMEL KROTTA. New York McBride, 1934, 203 p \$2.00

The French edition of this excellent survey has already been noted.

**T G MASARYK** By A WERNER. Prague Roland, 1934, 144 p Kč 24

An appreciative general biography

**BENES** By PIERRE CRABITZ. London Routledge, 1934, 293 p 12/6

A sound biographical study, with emphasis on the formative period.

**DE L'EUROPE ET DE LA HONGRIE** By COUNT PAUL TELEKI. Budapest Athenaeum, 1934, 220 p

A series of political and economic lectures by a leading Hungarian statesman and scholar

**RÉVOLUTION, BOLCHÉVISME, RÉACTION** By LOUIS VASJASSY. Paris Jouve, 1934, 154 p Fr 20

Reminiscences of 1918-1919 by an Hungarian radical who later became Minister of Justice in the first White Government

**LA HONGRIE ET LES ATTENTATS.** By K. S. CHANDAN. Paris: Le Danubien, 1934, 305 p. Fr. 15.

An elaborate account of the terrorist activities harbored in Hungary in recent years.

**L'EVOLUTION DE L'UNION BALTIQUE.** By N. KAASIK. Paris: Pedone, 1934, Fr. 10.

A conventional survey of the efforts made for a Baltic union.

**LA SITUATION ÉCONOMIQUE DES JUIFS DEPUIS LA GUERRE MONDIALE.** By JACOB LETSCHINSKY. Paris: Rousseau, 1934, 152 p. Fr. 14.

The Jews in eastern and central Europe. A report published by the Committee of Jewish Delegations.

**HISTOIRE DE LA POLOGNE DES ORIGINES À NOS JOURS.** By WACLAW SOBIESKI. Paris: Payot, 1934, 320 p. Fr. 20.

An introductory narrative by a well-known historian.

**POLAND.** By ERIC J. PATTERSON. London: Arrowsmith, 1934, 152 p. 3/6.

A dispassionate introduction to the history and present problems of Poland. A volume in the "Modern States" series.

**MÄNNER UM PILSUDSKI.** By H. KOITZ. Breslau: Korn, 1934, 288 p. M. 5.80.

Gives in convenient form a "Who's Who" of the more prominent politicians.

**UN OCCIDENTAL EN U. R. S. S.** By HENRI MEMBRE. Paris: Denoel et Steele, 1934, 252 p.

The author aims to give an objective account of the material and moral progress of Russia, without forgetting the shortcomings.

**LE BOLCHEVISME DE STALINE.** By J. LESCURE. Paris: Domat-Montchrétien, 1934, Fr. 16.

Primarily a study of Russian planning, by a French professor.

**L'ÂME RUSSE.** By JULES LEGRAS. Paris: Flammarion, 1934, 288 p. Fr. 12.

A brilliant psychological and philosophical essay.

**WHERE THE GHETTO ENDS.** By LEON DENNEN. New York: King, 1934, 254 p. \$2.50.

A Russian-born American journalist pictures the regeneration of the race under the benevolent Bolshevik system.

**THE SECOND FIVE-YEAR PLAN OF DEVELOPMENT OF THE U. S. S. R.** By W. P. COATES AND ZELDA K. COATES. London: Methuen, 1934, 155 p. 3/6.

An analytical study.

**LE PACTE BALKANIQUE.** By C. VULCAN. Paris: Pedone, 1934, Fr. 10.

Traces recent developments, without much attempt at interpretation.

**LA YUGOSLAVIE EN PERIL?** By E. PEZET AND H. SIMONDET. Paris: Bloud et Gay, 1934, 290 p. Fr. 18.

A useful review of recent developments and problems.

**LES FINANCES DE LA GRÈCE ET L'ÉTABLISSEMENT DES REFUGIÉS.** By ANDRÉ RODOCANACHI. Paris: Dalloz, 1934, 280 p. Fr. 30.

A scholarly analysis of Greek financial difficulties, with emphasis on the strain of refugee settlement.

**LA QUESTION CYPRIOTE.** By MICHEL DENDIAS. Paris: Sirey, 1934, 241 p. Fr. 40.

The Cypriot question, which threatens to become troublesome, studied historically and legally.

### *The British Commonwealth of Nations*

**L'EMPIRE BRITANNIQUE.** By J. MAGNAN DE BORNIER. Paris: Sirey, 1934, 304 p. Fr. 30.

An understanding French study of the political and constitutional evolution of the Empire

VISCOUNT GREY OF FALLODON By POLITICUS London Methuen, 1934, 155 p 6/

An able and interesting appreciation of the character of Grey, followed by an illuminating discussion of his policy, especially in 1914

MORE PAGES FROM MY DIARY By LORD RIDDELL London Country Life, 1934, 250 p 10/6

In this new volume Lord Riddell covers the years 1908-1914 and again gives many interesting side lights, adding particularly to our knowledge of the policies of Lloyd George and Churchill

AN AUTOBIOGRAPHY v II, 1919-1934 By VISCOUNT SNOWDEN London Nicholson, 1934, 21/

The first volume of this important autobiography has already been noted  
BEAVERBROOK, By EDGAR MIDDLETON London Paul, 1934, 251 p 9/6

An uncritical account of a remarkable career

MAURICE DE BUNSEN By EDGAR T S DUGDALE London Murray, 1934, 371 p 15/

A general biography of the British Ambassador at Vienna in 1914, based upon his letters Not of great importance politically

LE SYSTÈME BANCAIRE ANGLAIS ET LA PLACE DE LONDRES By R J TRUPPIER Paris Sirey, 1934, 293 p Fr 30

A serious technical study of British banking and investment

LA CRISE DE LA MONNAIE ANGLAISE By S J CATIFORS Paris Sirey, 1934, 210 p Fr 30

This study of England's abandonment of the gold standard in 1931 was awarded a prize at the law faculty of the University of Paris

THE BRITISH WAY TO RECOVERY By HERBERT HEATON Minneapolis University of Minnesota Press, 1934, 190 p \$2 00

This is a good little book which ought to be of value to Americans It gives, in brief scope, the salient facts of the crisis as it confronted England, Australia and Canada and discusses the various proposals for recovery as well as the actual policies adopted

BRITAIN UNDER PROTECTION By RONALD M FINOLAY London Allen and Unwin 1934, 223 p 6/

A valiant and thoroughly competent reexamination and refutation of the arguments for protection, with an analysis of the working of the system

THE BRITISH ATTACK ON UNEMPLOYMENT By A C C HILL, JR, AND ISADOR LUBIN Washington Brookings Institution, 1934, 325 p \$3 00

Invaluable, a dispassionate study of the dole system, with a discussion of its strength and its weakness

SCOTLAND By SIS ROBERT RAIT AND GEORGE S PAYDE New York Scribner, 1934, 372 p \$5 00

The latest volume of the excellent "Modern World" series The authors survey the historical development of Scotland in a hundred pages and devote the rest of the book to an analysis of present-day politics, economic and social problems, religion and culture The best general book on modern Scotland

THE CANADIAN ECONOMY AND ITS PROBLEMS EDITED BY H A INNIS AND A F W PLUMPTRE Toronto Canadian Institute of International Affairs, 1934, 356 p \$2.50

This is probably the most important single volume on Canadian affairs that has ap-

peared for some time. It consists of the papers and proceedings of the study groups of the Canadian Institute of International Affairs, which means that it reflects the opinions of some of the best minds in the country. The first part is given over to an analysis of the Canadian economy and the results of depression, the second to the problem of Central Banking in Canada. The student will find here material on the key industries—wheat, mining and wood-pulp—as well as on transportation problems, the public debt, the labor question, etc. Needless to say, the discussions do not lead to any single or simple solution, but the various proposals for change and improvement should be of interest to all who follow policies of recovery in the United States and elsewhere.

**CANADA, AN AMERICAN NATION.** By JOHN W. DAROE. New York: Columbia University Press, 1935, 134 p. \$2.00.

Another good book, being an interesting study of American influence on the political development of Canada, and on current relations and problems, by the well-known editor of the *Winnipeg Free Press*.

**THE COLOUR PROBLEMS OF SOUTH AFRICA.** By E. H. BROOKES. London: Routledge, 1934, 245 p. 5/.

A history of the problem since the Union, continuing the author's earlier "History of Native Policy." This is the most authoritative critical treatment.

**AUSTRALIA AND ENGLAND.** By HENRY L. HALL. New York: Longmans, 1934, 331 p. \$5.00.

A thoroughly documented history of imperial relations with regard to Australia, based upon extensive research in archival materials.

**THIRTY YEARS: THE COMMONWEALTH OF AUSTRALIA, 1901-1931.** By A. N. SMITH. Melbourne: Brown, Prior, 1934, 356 p.

Political developments interestingly described by an Australian journalist.

**BRITISH IMPERIALISM IN INDIA.** By JOHN BEAUCHAMP. London: Lawrence, 1934, 224 p. 5/.

A very critical account of British imperialism, prepared for the Labor Research Department.

**THE PRINCES OF INDIA.** By SIR WILLIAM BARTON. London: Nisbet, 1934, 343 p. 15/.

A description of the native states and their position, mixed up with reminiscence and anecdote.

**WISDOM AND WASTE IN THE PUNJAB VILLAGE.** By MALCOLM L. DARLING. New York: Oxford University Press, 1935, 368 p. \$5.00.

A work of importance, recording the results of an extended investigation by an official with twenty-six years of experience.

**INDIAN PATCHWORK.** By EDWARD AND MARY CHARLES. New York: Harcourt, 1934, 304 p. \$2.00.

A most discouraging picture of Indian affairs, by a former principal of a Hindu-Moslem college.

**THE DEVELOPMENT OF CAPITALISTIC ENTERPRISE IN INDIA.** By DANIEL H. BUCHANAN. New York: Macmillan, 1934, 497 p. \$5.00.

A basic treatment of modern Indian economic history. The volume, published under the auspices of the Bureau of International Research of Harvard, supplies a scholarly analysis of the history of the industrial revolution in India, together with a consideration of its effects on native life.

**GANDHI.** By SOUMYENDRANATH TAGORE. Paris: Nouvelle Revue Française, 1934, Fr. 15.

Gandhi and his policy debunked, by an author who believes that his doctrine tends to favor the capitalists at the expense of the proletariat.



*The Near East*

**SHIFTING SANDS** By N. N. E. BRAY London Unicorn, 1934, 312 p 12/6

Adventures in Syria, Arabia and Mesopotamia before and during the war, including some telling criticism of Lawrence and the whole Hashemite group

**LOZAN** By MEHMET CEMIL. Istanbul Ahmet Ihsan Matbaası, 1934, 2 v 700 Kur

A fundamental Turkish study of the war and post war periods, with reference to the Lausanne settlements. The author is professor of international law at the University of Ankara.

**LA NOUVELLE POLITIQUE OMNIQUE DE LA TURQUIE KEMALISTE** By K. C. RECHID SAFFET Paris Fresco, 1934, Fr 10

One of the very few systematic accounts of the new Turkish planning

**THE JEWS AND A CHANGING CIVILIZATION** By NORMAN BENTWICH London Lane, 1934, 146 p 2/6

An attractive and sympathetic historical survey, followed by a discussion of the present position of the Jews, by a British administrator

**SYRIE ET LIBAN** By LOUIS JALABERT Paris Plon, 1934, 248 p Fr 12

A critical examination of the French policy and its results

**L'UNITÀ DELLA SIRIA E L'INDIVISIBILITÀ DEL SUO MANDATO** By R. TARTOCI Rome Nuova Europa, 1934, 218 p L. 12

A well informed study, aimed chiefly against the idea of separate treatment for the Lebanon

**IBN SÉOUD** By ANTOINE ZISCHKA. Paris Payot, 1934, 240 p Fr 20

A good general biography of the Arabian potentate, by a French traveller

**THE VALLEYS OF THE ASSASSINS** By FREYA STARR. New York Dutton, 1934, 365 p \$4.00

A record of three years' travel in Lunstan and Western Persia, by an English archaeologist. Fascinatingly written

**AFGHANISTAN, A BRIEF SURVEY** By JAMAL-UD-DIN AHMAD AND MUHAMMAD ABDUL AZIZ. London Luzac, 1934, 180 p 15/-

Primarily a reference book, well illustrated. It reveals Afghanistan as being well along the road to modernization.

*The Far East*

**THE RECONQUEST OF ASIA** By O. D. RASMUSSEN London Hamish Hamilton, 1934, 363 p 10/6

A rather sensational account of Japan's Pan Asian designs, with a plea for united action by Europe to conciliate China

**THE DRAMA OF THE PACIFIC** By R. V. C. BODLEY London Allen, 1934, 232 p 6/-

Pacific problems considered in general and also with special reference to Japan and her mandates. The author pleads for a revival of the Anglo-Japanese Alliance

**WAS WILL JAPAN?** By H. W. VON DOERING Jena Diederichs, 1934, 309 p M. 6.80

A defense of the Japanese policy, which is pictured as aiming not so much at territorial gains as at securing a defensible frontier

**MILITARISM AND FASCISM IN JAPAN** By O. TANIN AND E. YOHAN New York International Publishers, 1934, 316 p \$2.50

Supposedly based upon Japanese writings, a striking account of Japanese militarism and its control of foreign policy

SUN YAT-SEN. BY LYON SHARMAN. New York: Day, 1934, 435 p. \$3.50.

A well-balanced study of the career and philosophy of the great Chinese leader.

CHINA'S PROBLEMS AND THEIR SOLUTION. BY WANG CHING-WEI. Shanghai: China United Press, 1934, 199 p. \$2.50.

A new volume in the "China To-Day" series. The author, president of the Executive Yüan of the Nanking Government, gives a survey of present conditions and problems, with much emphasis on foreign relations.

THE GREAT WALL CRUMBLES. BY GROVER CLARK. New York: Macmillan, 1935, 406 p. \$3.50.

One of the best recent books on modern Chinese conditions and problems. The author was for many years a member of the faculty of the National University at Peking and editor of the *Peking Leader*.

LA VIE CHINOISE EN MONGOLIE. BY R. VERBRUGGE. Paris: Geuthner, 1934, 230 p. Fr. 20.

Primarily an economic and social study.

MONGOLEN. BY F. LESSING. Berlin: Klinkhardt, 1935, 211 p. M. 4.

A sociological study of the Mongols, based upon extensive travels in the country.

### *Africa*

LA SOUVERAINETÉ ÉGYPTIENNE ET LA DECLARATION DU 28 FÉVRIER, 1922. BY E. TADROS. Paris: Pedone, 1934, 216 p. Fr. 30.

A dissertation in international law analyzing the terms of Egyptian independence.

THE ANGLO-EGYPTIAN SUDAN. BY SIR HAROLD MACMICHAEL. London: Faber, 1934, 288 p. 15/.

A complete and authoritative survey, by a British official of long standing.

REVANCHE DE CARTHAGE. BY ANDRÉ DEMAISON. Paris: Les Écrivains Français, 1934, 252 p. Fr. 12.

A reliable account of the regeneration of Tunis under French administration.

EIN LAND. BY ROBERT VON WATTENWYL. Zurich: Orell-Füssli, 1934, 278 p. M. 6.

A narrative of travel in Morocco, with much discussion of sociological problems.

L'AFRIQUE OCCIDENTALE FRANÇAISE. BY PIERRE DELONCLE. Paris: Leroux, 1934, 462 p. Fr. 125.

An elaborate, semi-official history of the discovery, pacification and development of French West Africa.

LIBERIA REDISCOVERED. BY JAMES C. YOUNG. New York: Doubleday, 1934, 212 p. \$1.50.

The political and economic development of Liberia since the establishment of the Firestone interests.

EASTERN AFRICA TO-DAY. EDITED BY F. S. JALLSON. London: East Africa, 1934, 394 p. 7/6.

A descriptive handbook.

### *Latin America*

FIESTA IN MEXICO. BY ERNA FERGUSON. New York: Knopf, 1934, 267 p. \$3.00.

A travel book, vividly written and well illustrated.

LA LUCHA DE CLASES A TRAVÉS DE LA HISTORIA DE MÉXICO. BY RAFAEL RAMOS PEDRUEZA. Mexico City: Sanchez, 1934, 228 p.

As the title indicates, this is a Marxian interpretation of Mexican history.

**THE CARIBBEAN AREA.** Edited by A. CURTIS WILGUS. Washington: George Washington University Press, 1934, 604 p. \$3.00

A series of conference lectures, by authorities in the field, covering all conceivable aspects of Caribbean affairs.

**PROBLEMS OF THE NEW CUBA.** New York: Foreign Policy Association, 1935, 511 p. \$3.00

An important publication, being the report of the Commission on Cuban Affairs appointed by the Association at the request of the Cuban Government. The Commission investigated various economic and sociological problems in the new Cuba and makes a number of important suggestions for agrarian reform, aiming at the diversification of production and the liberation of the island from dependence on sugar. There is much discussion of the urgency of government action for reform and some reference to Cuban distrust of the United States.

**THE PAGEANT OF CUBA.** By HEDSON STRODE. New York: Smith and Haas, 1934, 393 p. \$3.00.

A lively account of Cuban history since 1898, with shrewd comments on men and affairs.

**ESTUDIOS INTERNACIONALES SOBRE EL CONFLICTO COLOMBIANO-PERUANO.** By NICOLAS LOPEZ. Quito: Tall. Nacionales, 1934, 168 p.

A technical study of the rights and wrongs of the dispute.

**LAND OF FAR DISTANCE.** By C. W. THURLOW CRAIG. New York: Farrar, 1934, 299 p. \$1.50.

The adventures in Brazil and Paraguay of an English rancher who took part in various revolutions.

**PARAGUAY: A GALLANT LITTLE NATION.** By PHILIP DE ROYDE. New York: Putnam, 1933, 123 p. \$1.75.

The causes and progress of the present war succinctly presented by an author whose sympathies are indicated by the title.

# SOURCE MATERIAL

By Denys P. Myers

## PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States*: Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain*: British Library of Information, 270 Madison Ave., New York. *France*: Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV. *League of Nations*: Int. Labor Office, Perm. Court of Int. Justice and Int. Institute of Agriculture, World Peace Foundation, 40 Mt. Vernon St., Boston. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1919 a list of Government documents has been printed in the *Monthly List of Books Catalogued in the Library of the League of Nations*.

### AFRICA

REVISION of the General Act of Berlin of February 26, 1885, and the General Act and Declaration of Brussels of July 2, 1890. Convention between the United States of America and Other Powers. Signed at Saint-Germain-en-Laye, September 10, 1919. Washington, 1934. 17 p. 23 cm. (Treaty Series, No. 877.) 5 cents.

This convention is now in force for all signatories.

### AIR TRANSPORTATION

INTERNATIONAL Air Transportation. Convention and Additional Protocol between the United States of America and Other Powers. Concluded at Warsaw, October 12, 1929. Washington, 1934. 30 p. 23 cm. (Treaty Series, No. 876.) 5 cents.

### ARBITRATION

AGREEMENT between His Majesty's Government in the United Kingdom and the Norwegian Government regarding Claims in respect of Damage to Fishing Gear, London, November 5, 1934. London, 1934. 7 p. 24½ cm. (Treaty Series No. 29 (1934) Cmd. 4729.) 2d.

ANALYSES des Sentences rendues par les Tribunaux d'Arbitrage, constitués conformément aux stipulations des Conventions de La Haye de 1899 et 1907 pour le règlement pacifique des conflits internationaux, ainsi que par les juridictions spéciales d'arbitrage qui ont fonctionné en application de l'art. 47 de la Convention de 1907. 1899-1934. La Haye, Bureau International de la Cour Permanente d'Arbitrage, 1934. 118 p. 24 cm.

"I'M ALONE" Case. Joint Final Report of the American and Canadian Commissioners. Washington, 1935. (Department of State Publications, Arbitration Series, No. 2 (1).)

The Canadian claim, the United States answer, the Canadian brief and the United States answering brief are Arbitration Series, No. 2 (2-5).

### BOLIVIA—PARAGUAY

DISPUTE Between Bolivia and Paraguay. REPORT as Provided for Under Article 15, Paragraph 4, of the Covenant drawn up by the Committee of the Assembly in pursuance of the Resolution of September 27th, 1934, and adopted by the Assembly on November 24th, 1934. Geneva, 1934. 10 p. 33 cm. (League of Nations, A. (Extr.) 5. 1934. VII. 13.)

—APPEAL of the Bolivian Government under Article 15 of the Covenant. Extracts from the Records of the Fifteenth Ordinary Session of the Assembly. Plenary Meetings of the Assembly. Minutes of the First Committee. Minutes of the Sixth Committee. Geneva, 1934. 175 p. 33 cm. (League of Nations, *Official Journal*, Special Supplement No. 124.)

### CAUSES OF DEATH

INTERNATIONAL Agreement relating to Statistics of Causes of Death with Protocol of Signature, London, June 19, 1934. London, 1934. 25 p. 25½ cm. (Treaty Series No. 27 (1934) Cmd. 4175.) 6d.

### COURT OF INTERNATIONAL JUSTICE, PERMANENT

CASE Concerning the Administration of the PAMCE von PLESS (Application Eventually Withdrawn). Permanent Court of International Justice, XXXth Session. Orders of February 4th, May 11th, July 4th and December 2nd, 1933. Leyden, 1934. 457 p. 24 cm. (Series C, No. 70.)

The OSCAR CHINN Case. Permanent Court of International Justice, XXXIIIrd Session. Judgment of December 12th, 1934. Leyden, 1934. double p. 62-152. 24 cm. (Series A./B., No. 63.)

PERMANENT Court of International Justice. Report [to accompany Executive A, Seventy-first Congress, third session, protocols concerning adherence of the United States to the Court of International Justice]; submitted by Mr. Robinson, from the Committee on Foreign Relations. Washington, [1935]. 26 p. 23 cm. (S. Exec. Rept. No. 1, 74th Cong., 1st sess.)

## ETHIOPIA—ITALY

DISPUTE between Abyssinia and Italy Request by the Abyssinian Government under Article 11, Paragraph 2, of the Covenant. Geneva, 1935 24 p 33 cm (League of Nations, C. 49. M. 22 1935 VII 3)

## HUNGARY—YUGOSLAVIA

REQUEST by the Yugoslav Government under Article 11, Paragraph 2, of the Covenant. COMMUNICATION from the Yugoslav Government. Geneva, 1934 64 p 33 cm (League of Nations, C. 518 M. 234. 1934 VII 14)

COMMUNICATION from the Hungarian Government. Geneva, 1934 12 p 33 cm. (League of Nations C. 539. M. 246. 1934 VII 15)

The Council of the League of Nations heard the case December 7-11, 1934

REQUÊTE du Gouvernement Yougoslave en vertu de l'article 11, paragraphe 2, du Pacte. COMMUNICATION du Gouvernement Hongrois. Geneva, 1935 133 p 33 cm. (League of Nations, C. 48 M. 21 1935 VII 2.)

An English edition of this report of the Hungarian inquiry will be issued.

## INDIAN CONSTITUTION

JOINT COMMITTEE on Indian Constitutional Reform [Session 1933-34] Report, Proceedings and Records London 1934. 5 vols in 6. 24½ cm. (H. L. 6, I and II, and H. C. 5 and 6) Schedule Vol. I, Part I Report, Part II Proceedings, xxii, 427, x, 655 p 13 and 13 6d Vol II, Records with List of Contents and an Index, vi, 469 p 7s 6d

Record containing Papers laid before the Joint Committee by the Secretary of State for India C. 1 62 p 1s.

Record containing Memoranda submitted to the Joint Committee by Members of the Committee C. 2 16 p 4d

Record containing Memoranda and Record of Consultations held by the Joint Committee on the Subjects of Forestry and Irrigation C. 3 48 p 9d.

This report continues papers published as Cmd 3568 and 4268

## INTERNATIONAL LABOR ORGANIZATION

CONSTITUTION and Standing Orders of the International Labour Organisation. Geneva, 1934 85 double p 21½ cm.

DRAFT CONVENTIONS and Recommendations adopted by the International Labour Conference at its Eighteen Sessions held 1919-1934 Geneva, 1934 331 p 24 cm (International Labour Organisation) \$1.00

The EIGHTEENTH SESSION of the International Labour Conference (Reprinted from the *International Labour Review*, Vol. XXX, No. 3, September 1934) Geneva, 1934 44 p 23½ cm. (International Labour Office) 15 cents

INTERNATIONAL Labour Conference. Draft Conventions and Recommendation Adopted by the Conference at its Eighteenth Session, 4 June-23 June, 1934 (Authentic Texts) London, 1934 27 double p 24½ cm (Cmd 4714) (Text in French and English) 9d

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Vol. 13

SPECIAL SUPPLEMENT

No. 3

## THE DISARMAMENT PROBLEM

*An Address before the Council on Foreign Relations, New York, January 29, 1935*

*By Norman H. Davis*

*Chairman of the American Delegation to the General Disarmament Conference*

HAVING taken part at various intervals during the past three years in discussions and negotiations bearing on a reduction and limitation in armaments, I am persuaded that there is no subject on which it is quite so difficult and yet so necessary and important to get general international agreement. There is, indeed, no problem that involves more intricate technical and political questions affecting national pride and ambition, or national policy and security.

Nations will not discard their arms or limit their sovereign right to arm unless, or until, they are convinced that it is safe and in their interest to do so. And yet, in spite of all the delays — due to the difficulties inherent in the problem itself and to the opposition of those who do not believe in disarmament or who have a selfish interest in opposing it — progress has been made. The conviction is growing that it is a practical problem which can and must be solved. Such a vital issue will not down.

The regulation of armaments by international agreement is a comparatively new question. There were, it is true, a few restricted agreements relating to armaments between two adjoining countries, such as that between the United States and Canada, over a century ago, based on a political understanding not to maintain naval forces on the Great Lakes, which promoted confidence and benefited both sides. In 1899, when the gravity of the armaments problem had become such as to cause concern, an effort was made at the Hague Conference to arrive at an understanding to stop for a limited period any further increase in land and naval armaments. Due to the opposition of certain delegates — notably those of Germany — and to national am-



bitions and rivalries which were stronger than the consciousness of a common interest, the realities of the situation were not truly faced and this effort failed. The result was that fifteen years thereafter the nations were plunged into the greatest of all wars. As a consequence of this war, the reduction and limitation of armaments by general international agreement began to be a pressing and vital issue, and still so remains.

Whereas in former times wars were fought out between the armed forces of the nations involved, modern warfare is conducted by a whole nation and waged against helpless women, children and other non-combatants, with a view to breaking down the morale of an enemy country and inflicting every possible damage upon a people as a whole. Out of the horrible experience of the World War there grew an overwhelming conviction that positive steps must be taken to prevent another such calamity and, since the policies which were expressed in the suicidal armaments race during the preceding decades had been a contributing cause of that war, a new conception regarding armaments was incorporated as a fundamental part of the settlement at the Paris Peace Conference.

With a view to preventing a future race in armaments it was then, in effect, agreed that armaments had ceased to be a question of purely national concern and that measures should be taken for their general limitation. As a first step in this direction the armaments of the defeated Powers were reduced to a basis which would render aggression on their part impossible and would suffice only for the maintenance of internal order. As a further move looking towards multilateral disarmament, the victorious powers voluntarily assumed an unprecedented obligation to take steps to reduce their own armies and armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations. For various reasons, few of these contemplated steps for the reduction of land and air armaments have been taken. They nevertheless have been a subject of almost continuous study and negotiation, particularly, during the past three years, at the Disarmament Conference at Geneva. This Conference has not yet achieved the results hoped for, but it remains the only agency in existence for securing agreement or exhausting every possibility of agreement. Failure to make greater progress has been at times discouraging. But it is a significant fact that the nations still desire to

keep the Conference going and to avoid the alternative of its failure.

I might add that a very important phase of the armaments question will be discussed in Geneva in the near future. The appropriate commissions of the Disarmament Conference have been summoned to work out a treaty, to enter into effect with the least possible delay, which will provide for the treatment of the manufacture of and traffic in arms, budgetary publicity, and the setting up of a permanent central body to oversee the treaty's functioning. The American Delegation has presented a draft which it is hoped will form the basis of this treaty, and the attitude of the various Powers, already expressed, justifies the hope that real accomplishment in this field may be expected. Let no one think that in the manufacture of and traffic in arms we are dealing with a secondary question. Publicity and certain measures of international control would remove some of the worst evils of the arms traffic and help to alleviate many apprehensions of various Powers with respect to one another.

Although no agreements on air and land disarmament have been reached as yet at Geneva, very definite and far-reaching steps in naval disarmament were taken at the Washington Conference in 1922, when the five principal naval Powers agreed to reduce and limit battleships and aircraft carriers, and subsequently at the London Naval Conference in 1930, when Great Britain, Japan and the United States agreed to extend limitation to all other categories of naval craft.

The disarmament problem, like most other problems, is a continuing one, not susceptible of quick or permanent settlement. Naval disarmament, which had been settled for a period, and which was largely quiescent since the conclusion of the London Treaty in 1930, necessarily became active once more in the course of last year because of the provisions of that Treaty calling for a new conference in 1935 to frame a treaty to replace and to carry out the purposes of the existing one, following its automatic expiration at the end of 1936. To this end, preliminary conversations were held in London last summer and autumn on the initiative of the British Government. These were formally adjourned on December 19, 1934, and Japan's notification ten days later of her intention to terminate the Washington Treaty brought to a conclusion the first phase of the renewed consideration of naval limitation. It would be a great mistake, however, to

treat either of these two events as setting a definite period to all naval discussion. On the contrary, the London talks were specifically suspended "in order that the Delegates may resume personal contact with the Governments and the resulting situation can be fully analyzed and further considered." Moreover, the participating Governments agreed to keep in close touch with each other and with the other Governments parties to the London and Washington Treaties, with the hope that "the situation will so develop as to justify a subsequent meeting as soon as the opportune moment arrives," in which case the British Government would again take the "appropriate steps." Finally, the denunciation of the Washington Treaty, by formally reopening the entire problem of naval limitation and of the basic principles and methods by which it had been achieved in the past, has greatly increased the actuality and immediacy of the subject for each naval Power.

While diplomatic discussions and negotiations are thus for the time being in abeyance, the issues with which they have dealt, and must again deal in the future, are now in a state of intra-governmental consideration. I therefore do not feel at liberty to discuss publicly the present situation in detail. It is indeed the better part of responsible statesmanship to avoid, at this juncture, any statements which might create misunderstanding or ill-will and adversely affect ultimate agreement. As you will realize, it is not merely or even primarily a technical naval question which is now involved, for while each of the Governments concerned is considering the questions raised with regard to naval limitation, they are also in the process of examining policies and principles which have a vital bearing on that whole complex problem commonly known as the "Far Eastern problem."

And I may here point out that, although the United States has most important interests and treaty rights and treaty obligations in the Pacific and the Far East, the so called Far Eastern problem is not exclusively an American Japanese problem. Neither is it exclusively an Anglo-Japanese, a Franco-Japanese, an Italian Japanese, a Russo-Japanese, a Netherlands-Japanese, or even exclusively a Sino-Japanese problem. It is a common problem of all the nations with possessions and treaty rights and obligations in that area, and it is the duty of such nations, and in their interests, to coöperate in a friendly and constructive way. My hope and belief is that a solution through cooperation and com-

mon agreement can and ultimately will be found. For the present, however, it may be interesting and helpful to give a general analysis of recent developments in relations to the basic policy of the United States.

Although last year's conversations, as I have stated, were initiated under the London Naval Treaty and remained largely circumscribed by its provisions during the first stage, lasting from the middle of June until the end of July, they became broadened in scope after their resumption in October, as a result of suggestions and proposals submitted by the Japanese Delegation (which then actively participated for the first time) covering the entire field of naval limitation as embodied not only in the London Treaty but also in that of Washington. The result was that every aspect of the naval problem was fully and frankly considered. It was not, however, the purpose of these preliminary conversations to reach definite conclusions. The talks had no purpose other than to explore and prepare the ground for future negotiation and agreement. Moreover, while the French and Italian Governments, as parties to the Washington Treaty and signatories to that of London, were kept currently informed of developments, they did not actively join in the conversations but would, of course, become full participants in any later negotiations intended to reach final solutions.

It would be idle to maintain that important differences of opinion did not develop in the course of the talks or that it was possible to reconcile all of them. I can assure you, nevertheless, that the frequent rumors of sharp clashes and frayed nerves were idle speculation. I have attended many an international discussion during the past few years and none was more calm, frank and amicable than that from which I have just returned. All three participating Governments were in accord in advocating continued naval limitation by international treaty; all three recognized the need for bringing about as large a reduction in total tonnages as could be agreed upon; each was profoundly aware of the dangers involved in arms competition and anxious to avoid a recurrence of a naval race. There were, however, two distinct points of view as to the methods of achieving this common end, partly as a result of divergent views on fundamental principles. Questions of principle, indeed, were at all times in the forefront, and technical problems, to the extent that they arose at all, were always subordinate. When I consider the long and

futile wrangling over purely technical questions which often occurred at the Disarmament Conference at Geneva, largely because of failure boldly to face an underlying conflict of theory, I find, in looking back on the recent London talks, that perhaps one of their most valuable features was the realistic manner in which the delegates recognized the importance of tackling at once the basic difficulties of principle and policy. There was a general absence of haggling over details and a continued facing of rock bottom issues.

The dominant issue involved was that of "equality of security" versus "equality of armaments." I should like to state with all the emphasis of which I am capable that I regard — and I know the President regards — equality of security as a fundamental sovereign right of each Power. If arms equality were the only means of making that right effective, I would be the first to advocate it. It is evident, however, that equality of naval armament not only fails to give equal security, but that on the contrary it is utterly incompatible with equal security. A moment's consideration of the widely varying defensive needs of individual nations, due to such factors as geographical location, coast lines, distribution of outlying territory, commerce on the sea, combined strength of land, sea and air forces, et cetera, makes this clear. It is just because equal security was the guiding concept that the Washington Conference was a success and was able to achieve not only limitation but also a drastic reduction of naval armaments.

Although the word "ratio" is not mentioned in either the Washington or London naval treaties, the relative naval strength fixed by the Washington Treaty for the United States, Great Britain and Japan resulted in a ratio of 5-5.3 or 10-10.6. The significance of this has been somewhat misunderstood. It has been erroneously considered by some to mean or imply a different degree of national prestige or sovereign right, whereas it means nothing of the kind. As a matter of fact, military power consists of a navy, an army and an air force, and the combined strength of Japan in these three branches of arms is greater than that of the United States, yet even so, I do not consider that this affects the national prestige of America.

The simple truth is that at the Washington Conference of 1922 it was recognized by all that much harm and no good could come from the naval race which was then in progress,

that the only way to stop it was to stop it where it was; and that to do so it was necessary to settle certain underlying political questions and to readjust and fix naval strength on a basis which would give mutual confidence and security. On such a basis the United States, which had a potential lead in the race which would shortly have given it naval primacy, willingly agreed to give up its lead and to reduce and limit its navy in the interest of peace and coöperation. It was recognized that while there was a difference in total naval strength or tonnage, which was due in the first instance to the difference in actual needs, each Power was entitled to equal security. And it was at the time fully agreed by the representatives of the United States, Great Britain and Japan that the naval treaty, together with the other agreements made, established equal security.

Once there had been established a definite equilibrium through mutual agreement providing all-around security, any further proportionate reduction in armaments could not disturb this balance but, on the contrary, would tend to increase the sense of security of each country in equal measure. Thus it was only on the foundation of the equal security created at Washington in 1922 that a further limitation and reduction of naval armaments could be achieved at London in 1930. On the same basis, the proposals which I recently made at London on behalf of the United States, for a substantial all-around reduction in naval armaments in such manner as not to change the relative strength of the nations concerned, could in no sense jeopardize the security of any of these states. In all my long association with the disarmament problem, I have been able to discover no alternative method of arms reduction which does not alter the delicate equilibrium on which equal security rests.

In using the term "equilibrium," I am not thinking exclusively or even primarily of relative strengths in armament. The balance which was established at the Washington Conference was not in the first instance one of naval tonnage. The work of the Conference was an integrated whole which had as its primary purpose, and which in fact accomplished, a political appeasement. A collective system of coöperation for the maintenance of peace in the Pacific and the Far East and for mutually beneficial economic development was established, which increased confidence and reduced the causes for suspicion and aggression. On this foundation of security in the political, economic and psycho-

logical spheres was built the naval agreement which offers equal security to each country in the sphere of naval armaments

I have dealt thus far with the main principle at issue, that of equal security versus equal armaments, a secondary one is that relating to offensive weapons. The idea has been advanced that aggression can be prevented solely by abolishing so-called offensive weapons. That is a fallacy. In land warfare certain armaments are used almost exclusively for initial attack and invasion, but in naval warfare it is not possible to make such a distinction between offensive and defensive armaments. In fact, in case of war, any armed naval vessel may become offensive as well as defensive once it gets beyond the three mile limit.

Even agreements between the most heavily armed Powers not to attack one another are not sufficient to prevent aggression. As experience has proven, peace is disturbed less often by the attack of one strong nation upon another strong nation than by the attack of a strong nation upon a weak and helpless one.

It is an obvious fact that the United States has no territorial ambitions anywhere. If we had had any aggressive design in the Far East we would not have agreed to surrender naval predominance and to withdraw from the Philippines and we would not have entered in 1922 into the Naval Treaty by which we undertook not to increase our fortifications in the Western Pacific. The aim to which the United States is dedicated is to be a good neighbor, respecting the rights of all nations both weak and strong, and to cooperate in the promotion of world peace and progress. No other country need fear any serious disagreement with us unless it disregards treaties to which we are a party and invades and impairs our rights.

As a result of my official service in the cause of disarmament, I am convinced that the method of the Washington Conference is the prototype for every effective effort to solve the armaments problem, whether on the sea, on land, or in the air. I do not imply that reduction of armaments is not in itself a vital factor in promoting and strengthening peace. From the beginning of the international disarmament movement, the United States Government, irrespective of the party in power, has been a consistent advocate of the thesis that limitation of armaments, followed by their proportionate reduction, generates a sense of security and fosters mutual trust and friendship. The primary purpose and advantage of disarmament is to increase confidence and security.

and to put a curb on aggression. The effect is more assurance of peace, less taxation and greater economic progress. Nevertheless, it is equally true that, without a foundation of international coöperation to remove the causes of political and economic conflicts and to assist in their settlement in an orderly way, no nation is willing to limit its armaments, not to speak of reducing them. Political and economic instability is the breeding ground of every armaments race.

The meagre results to date of the General Disarmament Conference at Geneva can be traced directly to the international political unsettlement that has held the nations of Europe in its grasp during the past years. But recently there has been manifest a definite trend towards finding a solution to the political problems of Europe through international collaboration, and the tension on the continent has been eased to a considerable degree by a series of interrelated steps effected through a spirit of mutual accommodation. Already there is a growing indication that the disarmament effort may be resumed shortly with renewed determination.

Thus in a different part of the world, and under vastly different circumstances, we are witnessing a demonstration of the essential truth wisely recognized and effectively applied at the Washington Conference, that there is no other path toward the limitation and reduction of naval or other armaments than by a frank facing of the political and economic problems disturbing the relations and hence the security of states. There is nothing in the Far Eastern situation essentially incapable of settlement by mutual collaboration. I am happy to see this view reciprocated by the Japanese Foreign Minister, who in his speech before the Diet on January 21 stated that "there exists no question between the two countries which is intrinsically difficult of amicable solution."

All the greater is the regret in this country that the Japanese Government should have considered it necessary or advisable to exercise its unquestionable right to denounce the Washington Naval Treaty. The present naval treaties represent the most successful of all efforts for disarmament. Whatever may be some of the objections to these treaties, the nations concerned can ill afford to forego the inestimable advantages which they have brought to each of them and to the world as a whole.

The coöperation of Japan with the other great naval Powers



having special interests and responsibilities in the Pacific and the Far East is essential to the maintenance of peace. In fact, to strive through international cooperation to preserve peace and lessen the burden of armaments is in the interest of every Power and a worthy mission for any Power. The loss of so important a Power as Japan from a general accord would naturally be deplored.

But we should not be unduly disturbed by the present apparent deadlock or engage in loose talk of an impending naval race. The fleets of the principal naval Powers remain strictly limited by the present treaties until January 1, 1937. The London Treaty has, in fact, run only two-thirds of its course. If each people sincerely rules out of its consciousness all thought of aggression, and through its actions gives its partners in the treaty system convincing evidence of its pacific purposes, then there is no reason why during the period which remains an accommodation which maintains and even strengthens the sense of security of all cannot become an accomplished fact.

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The Editors



# FOREIGN AFFAIRS

Vol. 13

JULY 1935

No. 4

## THE WORLD COTTON DRAMA

*By Henry A. Wallace*

OF ALL the crops grown in the United States cotton is the most significant, first because it supports a larger number of farm people than any other crop, and second because it links the United States more definitely with the outside world than any other crop. The producers of many American products are able to fool themselves for long years at a time concerning the real relationship of the United States to the outside world. Not so the cotton farmers. Every year they have it forcibly brought home to them that they are a part of a whole world, with respect both to foreign consumption and foreign competition.

During the five years previous to the World War, the total annual cotton crop of the world was some 20 million bales, of which the United States furnished about 13 million bales. At that time the world outside of the United States ordinarily consumed about 15 million bales a year, about half of which was produced by the United States, and about half by India, Egypt, Russia, China, etc. For forty-five years the trend of production in the United States has been upward, at the rate of about a hundred thousand bales a year; in the cotton growing countries outside the United States the rate of increase has been about a hundred and fifty thousand bales a year.

Again and again during the past century England has done her best to become as independent as possible of American cotton. The movement toward cotton independence for the British Empire has met with great obstacles in the shape of untrained native labor, poorly adapted soils and climates, and lack of transportation facilities. Nevertheless, the steady pressure of England has brought about a fairly constant expansion in cotton acreage in India, Uganda and the Sudan. Other countries, notably Russia, also made strenuous efforts during the twenties to become as in-

dependent as possible of American cotton. South America, too, especially Brazil and Argentina, are becoming more and more interested in producing and spinning their own cotton. China, Korea and southern Manchuria, working more or less in cooperation with Japan, will evidently make strenuous efforts to increase their cotton output. Germany and Italy, in their efforts to become as independent as possible of American cotton, have given especial attention to perfecting methods of making substitutes for cotton yarn and cotton cloth out of wood pulp. The methods used seem to be a modification of the rayon process and the resulting product seems to be more expensive than cotton, and from the standpoint of washability, inferior to cotton. Nevertheless, steady progress is being made in this direction, and it must be remembered that rayon consumption, which twenty years ago was only two tenths of one percent of the cotton consumption in the United States, represented in the year 1934 nearly eight percent. Undoubtedly, the national political pressures of foreign countries, combined with mechanical ingenuity, will more and more tend to force readjustments on the cotton producers of the United States. In particular, the cotton picking machine, when it is fully perfected, will increase the pressure.

The dramatic nature of the rôle played by American cotton in world affairs has been intensified tenfold since the World War as a result of the new creditor position of the United States. Before the World War, when the United States was a debtor nation, our cotton exports, amounting to nearly half a billion dollars annually, played an exceedingly important part in maintaining normal business prosperity. Before the war the United States owed over a hundred million dollars in interest every year to bondholders in England, Germany, France, Belgium, Holland, etc. Our newly-arrived foreigners sent to the old folks across the sea more than two hundred millions of dollars annually. In the old pre-war days, it was exceedingly important that we ship a half a billion dollars' worth of cotton annually to the outside world, because if the crop were short we would have to ship gold and thus would undermine the base of our credit structure and bring about hard times. It is small wonder, therefore, that not only the people of the South but also the bankers of New York City and the manufacturers in other parts of the nation should have a profound interest in cotton as one of the leading barometers of American prosperity.

Today, 17 years after the World War, this picture has changed in many respects, and as a result cotton growers, ginner, shippers, exporters, spinners and financiers are baffled and occasionally irritable. Today we are a creditor nation to a far greater extent than we were a debtor nation before the war. Those within our borders who have relations across the water send them less than half as much as they used to. We are endeavoring to carry an increasing quantity of both imports and exports in American vessels, and thus it is probable that we shall not pay foreign nations as much as before for shipping charges. Our tariffs, in spite of foreign trade agreements, are still higher than they were before the war and are more effective in keeping out foreign goods. We stopped loaning money abroad in 1930. All of these forces added together mean that it has become exceedingly difficult for foreign nations to buy the necessary dollar exchange with which to purchase American cotton. As a matter of fact, the so-called cotton dilemma of late 1934 would have been twice as serious if it had not been for the tremendous imports of gold into the United States. The dilemma will again become more serious than it has been if the imports of gold into the United States cease without compensating factors coming into the picture.

A creditor nation which refuses to loan money abroad and to accept increasing quantities of foreign goods and services must prepare for serious trouble in her export trade at the time when gold shipments come to an end. It may be, of course, that the volume of gold shipments into the United States during the next four or five years will be so great that the problem of American cotton exports will not be a serious one. It may also be that there will be such an increase in imports of goods into the United States that foreign purchasing power for our cotton exports will be increased. On the whole, however, it would seem that the situation would periodically become tighter rather than less so.

It is popular in many quarters to say that the Agricultural Adjustment program is destroying the foreign market for American cotton. This is not true. The truth is that a creditor nation with a high tariff inevitably destroys a large part of the foreign market for its surplus the moment it stops loaning money abroad. The United States stopped loaning money abroad in 1930, and at that time the American carryover of cotton stocks began piling up until by August 1, 1932, it was three times the normal.

The American cotton control program has thus far not had



nearly as great an effect on American cotton production as the boll weevil had in 1921, 1922 and 1923. In 1921 the American cotton crop, which before the war had been around 13 million bales, was slightly less than 8 million bales. Again in 1922 it was less than 10 million bales, and in 1923 only slightly above 10 million bales. In those years we exported only from 4 to 6 million bales annually as compared with our pre war normal of some 8 million bales. During the period from 1921 to 1923, the deficiency of United States cotton production below normal totalled about 11 million bales. In 1933 and 1934, the deficiency of American cotton production below normal has totalled only about  $3\frac{1}{2}$  million bales. Moreover, at the present time we have as background a carryover which is more than twice the normal.

It must be kept in mind, of course, that the exceedingly short cotton crops of 1921, 1922 and 1923 were eventually accompanied by high prices which over stimulated cotton production both in the United States and foreign countries. This resulted, beginning in 1925, in the large cotton acreage which was preliminary to the large accumulation of stocks which played its part in the world wide collapse among producers of raw materials.

## II

There is food for thought for American producers in a consideration of the way in which the high prices resulting from the short American crops in 1921, 1922 and 1923 eventuated in the expansion of foreign production in 1924 and 1925. The effects of this expansion should also be provocative of thought to the foreign producers, because in the final outcome they probably suffered fully as much as the American producers. In this connection, it may be interesting to survey the trend of cotton acreage in the leading cotton producing areas since 1921.

India, which normally produces about half of the non American cotton which moves in world trade, started out with a little less than 20 million acres in 1921 and rapidly increased to 28 million acres in 1925. Since the start of the depression in 1930, the Indian cotton acreage has been about 23 million acres, or a little less. Indian cotton acreage has not increased thus far in response to the adjustment program in America. It is expected, however, that with ordinary weather conditions in the year 1935, India, as a result of the situation in the United States, may plant an acreage 5 or 10 percent greater than in the year 1934. If cotton

prices in the United States had been in the neighborhood of 10 cents a pound, it might have been expected that with ordinary weather conditions the Indian acreage in 1935 would remain about 23 million acres or a little less. With cotton in the United States at 15 cents a pound, the tendency apparently would be for the Indian acreage to expand 10 or 15 percent. For a time in late 1934 and early 1935 Indian cotton moved in world trade at a price which was only about 70 percent as high as that of American cotton. On the average, Indian cotton as a result of its shorter staple, ordinarily sells for only about 80 percent of the American price. The abnormal differential at the end of 1934 was somewhat similar to that during the early part of the twenties. In the spring of 1935, however, the abnormal differential between American and Indian cotton was largely wiped out. Nevertheless, in view of the difficulty encountered by foreign nations in buying dollar exchange, it would seem that abnormal differentials between American and foreign-grown cotton may occur at rather frequent intervals until such time as exchange difficulties disappear.

Egyptian cotton is, next after Indian, the leading competitor with the cotton produced in the United States. Russia and China produce more cotton than Egypt, but as their cotton does not move in international trade it has no great significance for us. Egyptian cotton acreage does not move up and down in response to price in the same way that the American and Indian cotton acreage does. For a number of years the Egyptian cotton planting has averaged about 1,800,000 acres. Governmental control was used in 1932 to cut the acreage almost in half, but during the past two years it has returned to normal. It seems that present prices in the United States are not such as to have any pronounced effect one way or the other on Egyptian cotton acreage. The yields per acre of cotton in Egypt are more than twice as high as in the United States and the grade and staple is of excellent quality. It seems probable that there will be no great expansion in Egyptian cotton acreage unless irrigation storage works at the headwaters of the Nile are constructed on a considerable scale. In any event, it will be a number of years before there is likely to be a material increase in Egyptian cotton acreage.

The place to be taken by Brazil in future world cotton competition is much more uncertain than that of the United States, India

or Egypt Brazil first expanded her cotton production in a material way during our war between the States, at which time her exports were greater than they have been subsequently until the current year She again began expanding exports when she lost a considerable part of her rubber business about 25 years ago The third expansion began rather recently, largely as a result of the decline in profits of the coffee business, and continued partly because of the exceptionally high price for Brazilian cotton in terms of Brazilian milreis (in part as a result of the currency depreciation of the milreis), and partly because of a short crop behind a high tariff wall which forced the Brazilian textile manufacturers to bid up unduly in order to get their cotton

The Brazilian Government apparently looks on both cotton production and cotton spinning as infant industries Cotton production is encouraged by a tariff of 17 cents a pound The textile tariffs are exceedingly high, and several of the Brazilian states have special state tariffs Last year, for the first time since the Civil War, Brazilian cotton exports began to move in world trade in a really large way, and it seems that in the year 1935 there may be as much as a million bales of Brazilian cotton exported If American cotton moves in world trade on the basis of 15 cents a pound or more, it would seem that there might be a continuing expansion in Brazilian cotton production, especially in southern Brazil The outstanding limitations are a shortage of trained labor, a lack of proper financing and inadequate equipment for ginning Probably much of the enthusiasm of Brazilian farmers for cotton will disappear when they discover that the prices for the 1932 crop were largely artificial and due to causes operating in Brazil and not in the rest of the world The Brazilian Government seems to be committed to cotton expansion and will undoubtedly push production with great vigor if American cotton prices in the world market are above 12 cents a pound The government is exercising supervision over the quality of the seed and the method of ginning While undoubtedly the 1934-35 Brazilian cotton crop was freakishly large, because of certain reasons of weather and past history, nevertheless it would seem to be the part of wisdom for American cotton producers to keep in mind that country's truly great cotton potentialities

Will it be necessary for us, because of our creditor position and our high tariff, to step out of the production of cotton sufficiently to permit Brazil to place an average of a million bales of

cotton on the world market as a substitute for cotton which formerly came from the United States? At 12 cents a pound for American cotton there would seem to be much more likelihood of the expansion of cotton production in Brazil than in Egypt. In the case of India, however, it would seem that while the percentage of expansion might not be so great as a result of 12 cent cotton as in the case of Brazil, nevertheless the increase in terms of bales would perhaps be as great in India as in Brazil.

The cotton acreage of Russia in recent years has been nearly twice as great as Brazil's, but the yield per acre is less and there have been practically no exports. It is a matter of Soviet policy to produce as much cotton at home as possible, and prices for cotton in the United States exercise practically no effect one way or another on Russian cotton acreage. Russian cotton acreage today is somewhat greater than it was just prior to the World War. Nevertheless, from the standpoint of determining cotton policy in the United States the Russian situation has almost no significance.

The situation in China is in many respects like that in Russia. China normally imports more cotton than she exports. During the past ten years she has expanded her cotton acreage about 50 percent, or by more than two million acres. Beginning in 1923, the Chinese Government has increased the tariff on raw cotton on four different occasions, until now it is equivalent to about 2 cents a pound. As is the case in Russia and Brazil, it is a very definite concern of the Chinese Government to bring about an increase in the quantity and quality of Chinese cotton. The Japanese are also interested in the increase of Chinese production.

The demand for cotton since the World War has become more and more a part of general industrial activity. Everyone is familiar with the increasing use of cotton in the manufacture of automobile tires, elsewhere in automobile manufacture, and in many other industrial uses. Charts of industrial production and cotton consumption indicate that the two move together in remarkable uniformity. In view of the exceedingly low level of industrial activity throughout the entire world, beginning in 1930, it is not surprising that the demand for cotton should have fallen so drastically that prices were reduced to 5 cents a pound. If during the next five years industrial production throughout the entire world should return to the 1929 level, there would be an adequate demand not only for the customary 13 million bales from the United States, but also for the customary out-turn from

Egypt and India, as well as for the production of recently expanding newcomers such as Brazil. If industrial expansion should continue in Russia and China, it is quite likely that those countries not only would require their maximum possible production but would also make an endeavor to import cotton from outside

### III

The cotton producers of the United States have always been more definitely underprivileged than any other large section of our population. The gross income from cotton for the average family even in 1929 amounted to only \$699 for the year. In the southeastern part of the cotton belt, in 1931 and 1932, hundreds of thousands of families had gross yearly incomes of less than a hundred dollars. The cotton families of the South have always produced about twice as many children as are necessary to maintain the farm population.

During the industrial boom of the late twenties, young people drifted north from the Southern farms by the hundreds of thousands. In like manner they drifted back again in 1930. In many cases Northern cities paid the railroad fare to get them back home and off their hands. But meantime the customary ties between the individual and his home locality had in all too many cases been broken. Thus during the early thirties there grew up an ever larger number of drifters and squatters who had formerly been in the share tenant class and now were finding it difficult to do anything at all. In the rich delta lands of northeastern Arkansas, especially along the St. Francis river, these drifters and squatters were reinforced by the houseboat people who move up and down the Ohio and Mississippi, and who vary their hunting and trapping with a certain amount of day labor, woodchopping and other casual occupations.

The primary trouble in the South, of course, is that on a per capita basis the Southern farmer's share in the national income has been less than half that of the rest of the population. From the standpoint of social justice it would be a splendid thing to increase the income of the Southern farmers to a point where it would be comparable with that of other citizens. With the utmost possible speed the Roosevelt Administration endeavored to do this during 1933 and 1934. The income from each of the cotton crops of 1933 and 1934 averaged about twice what the income had been in 1932. From the standpoint of abstract justice, we really

ought to go farther in benefiting the Southern cotton farmers. But it now becomes apparent, in view of the world situation, that it may be impossible to go farther without dipping definitely and directly into the Federal treasury.

The fundamental object of the American control program has been to reduce the world carryover of American cotton, which was about 13 million bales on August 1, 1932, to 5 million bales by August 1, 1938. On August 1, 1935, it is estimated that the world carryover of American cotton will be somewhere in the neighborhood of  $8\frac{1}{2}$  million bales. It is undoubtedly true that the world carryover of American cotton would have been reduced somewhat more rapidly if it had not been for the loans made by the American Government. The 10 cent loan which began in November of 1933 and continued until August of 1934 probably did not interfere much with the exportation of American cotton, because during the period when it was in effect American cotton moved abroad at almost the normal rate. If the 10 cent loan had been continued after August 1934, instead of the 12 cent loan, no one can say whether American exports of cotton would have been materially larger. Germany undoubtedly would still have had many of her same difficulties in buying dollar exchange. The United States would still have been a creditor nation with a high tariff. The 12 cent cotton loan may, perhaps, have been too high from the standpoint of exports, but undoubtedly the primary difficulty was the inability of foreign nations to get dollar exchange. This difficulty might have resulted in small exports of American cotton even though the price had been as low as 5 cents a pound.

A price of 12 cents a pound for American cotton is exceedingly low. In terms of gold, 12 cents a pound in May of 1935 is only slightly above the low point in March of 1933. In terms of the average currency outside the United States, cotton at 12 cents a pound is only about 35 percent higher than it was in early 1933. In terms of American dollars, of course, cotton in May of 1935 was about twice as high as in early 1933. Relative to prices of other products which move in world trade, cotton at 12 cents a pound does not seem unduly out of line.

Our cotton control operations in the United States have not in any sense been foolish in the way that the Stevenson Rubber Control plan was foolish. It will be remembered that in 1921 rubber was selling for about 14 cents a pound, whereas the rubber

producers in the East Indies figured that the cost of production was about 25 cents a pound. Partly as a result of the Stevenson Rubber Control, and partly no doubt for other reasons, the price moved up until in November of 1925 it had reached \$1.20 a pound. There was then great expansion, and partly as a result of this expansion and partly as a result of the depression, the price fell until in 1932 it was 4 cents a pound. Because of the parity concept of the Agricultural Adjustment Act there is no likelihood, unless the weather for several seasons is particularly disastrous, of American cotton prices reaching abnormally higher levels at any time in the next few years.

The American cotton control has been financed since August 1, 1933, by a processing tax of 4.2 cents a pound on all cotton manufactured in the United States. This means that since that date the American consumer has in effect paid the American cotton producer an average of from 15 to 16 cents a pound for cotton. The American consumer during this period has paid almost exactly the same percentage of his total cost of living expenditures to the cotton farmer for cotton as he did during the five pre-war years. A price of 16 cents a pound represents a return of about 14 cents an hour to the farmer for his labor, whereas 12 cents a pound means a return of about 10 cents an hour. The cotton farmer can have the satisfaction of knowing that he has not done an injustice to the American cotton consumer. With the cost of other things what it is in the United States today, 16 cents a pound for cotton is not too high. Incidentally, it generally is easier for the mills to pay 11.8 cents a pound cash for the cotton plus the 4.2 cents processing tax than it is to pay 16 cents cash. The processing tax is not paid at the same time the cotton is purchased. Therefore, the processing tax system makes the procedure a little bit like installment buying.

It might also be said in passing that cotton textiles imported into the United States not only pay the regular tariff but also in addition a special tariff equivalent to the processing tax. The following table gives, in cents, the amount of the processing tax and the tariff on several different types of cotton goods.

	<i>Processing tax in cents per lb</i>	<i>Tariff in cents per lb</i>
Men's cotton shirts	3.1	43
Hose and half hose	0.7	4
Tire fabric	4.8	10.5
Cotton towels (not figured)	1.1	3.5

While the foregoing items are not imported in significant volume, the ratio of the processing tax to the tariff on cotton cloth that does come in indicates that the tax is considerably smaller than the tariff which is collected.

Farmers of the United States are coming more and more to look on the processing tax as their tariff. They realize that if the United States were not a creditor nation with a high tariff there would be no necessity to have a processing tax. They would be glad to give up their processing tax if the industries of the United States would give up their tariff; but in view of the fact that the tariff has been the most substantial single item in destroying the foreign market for the product of some 50 million acres of farm land, farmers naturally wish to utilize the processing tax to enable them to adjust their production to meet the changed world situation.

#### IV

It is exceedingly difficult for the people of the United States to realize that they are no longer a pioneer debtor nation. A high tariff does a pioneer debtor nation very little harm. As a matter of fact such a nation may require a high tariff in order to make sure that there will be a sufficient excess of exports over imports to pay the interest on the money which is owed abroad. As a pioneer debtor nation, the United States was well warranted in placing heavy emphasis on cotton, which was its biggest single export. But since the World War the United States has been a mature creditor nation, though it has kept to the habits of a pioneer debtor nation.

The conflict between habits and the facts has been soul-wrenching for the American people. Those who profess to be 100 percent American in their attitude insist that there shall be no increase in the imports into the United States and that all goods should be carried as nearly as possible in American bottoms and that American tourists should stay at home as much as possible. The pioneer prejudices of the American people would if carried to their most complete expression completely destroy foreign purchasing power, and hence the foreign market for American cotton. Strangely enough, the same pioneer prejudice which tends to destroy the foreign market for American cotton is also strenuously against the use of the centralizing power of government to enable the farmers of the United States to adjust their cotton



acreage to the resulting loss in exports. Typical so called 100 percent Americanism, therefore, tends to insist that American farmers shall produce to the limit for a market that doesn't exist. Such a procedure, of course, would mean a return to 5 cent cotton, 40 cent wheat, 10 cent corn and \$2 hogs. American farmers will not stand for this.

For the greater part of the period since the World War the American people have been willing to lose billions of dollars on foreign loans badly placed rather than wake up to the fundamental realities. The United States has continually postponed the showdown in the international poker game by the simple procedure of buying more chips and fattening the pot. In 1934 the showdown was again postponed because the United States imported \$1,300,000,000 in gold. But today the Germans find it exceedingly difficult to buy American dollars because the United States buys only about a third as much from Germany as it did in 1929. Therefore, the Germans have bought only about a fourth as much of the American cotton crop this year as they customarily do. There is still plenty of American cotton available, considerably more, in fact, than during the twenties. The problem is not one of American cotton but of American dollars in the hands of those foreign nations which want cotton.

The situation will get worse rather than better unless the American people are willing to start loaning money again to foreign nations, or unless the foreign nations are willing and able to continue to send us large quantities of gold, or unless the United States is willing to accept greatly increased quantities of imports. There is no other way out. The showdown is coming, and cotton will typify the situation better than any other commodity because it is our greatest single export.

During the past six months in the United States a tremendous amount of effort has been put into working out some scheme to increase exports of cotton without increasing imports of foreign goods. The American people are strong believers in the sacredness of exports and the hellishness of imports. This is a type of scarcity economics which has always seemed completely respectable to that type of American who is completely horrified at the thought of plowing under cotton. Exporters, shippers, traders, railroad men and the whole group of people who profit by volume and are not hurt by low farm prices clamor insistently for increased cotton production. Many of them have come out

favor of what is known as the "two-price system," or in other words, export dumping. Under this scheme, cotton might be sold in world trade for perhaps 8 cents a pound, and in domestic trade for 15 or 20 cents a pound. There would be no control of production and the ginner and all the rest of the people interested in volume would be completely happy. Incidentally, many of the foreign users of cotton would also be happy. They would again be able to buy American cotton at bargain prices. Some foreigners during the early part of this year have been arguing in a quiet way for an American program of this sort. It has been said that the break in cotton prices which took place in March was to some extent a result of the agitation for export dumping, which caused foreigners to think that they would be able to buy American cotton much more cheaply later on.

The strongest argument for export dumping is to prevent the undue expansion of cotton acreage in India and Brazil. Certain American financial interests are reported to have been active in furnishing capital to promote the expansion of the cotton business in several parts of the world during the past year. These gentlemen might discover that there are political laws of action and reaction which must be taken into account, as well as economic laws. But before the United States engages in an extensive program of subsidized exports of cotton, it is worth while to remember that a program of this sort might cost close to 300 million dollars a year. And there is a real question as to whether the benefit to the exporters, shippers, railroad men and new cotton producers is sufficient to warrant the increased expenditures. The cost of a controlled production program is only one-third to one-half as great. Moreover, we must keep in mind the probability that strongly subsidized exports would result in the gravest damage to India and Brazil, with inevitable repercussions on the United States. Strong retaliatory action would probably be taken by both India and Brazil, as well as by Great Britain.

In 1921, 1922 and 1923 the United States relinquished a considerable part of its hold on the world cotton trade as a result of the boll weevil depredations. Nevertheless it was able to come back in a most vigorous manner in the years from 1925 to 1929. Uncertain or mistaken policy in the next year or two need not therefore be altogether fatal to the future of the American world cotton trade. If we really believe it is a fundamental part of American policy to export, one year after another, our customary 8 million

bales of cotton, it would seem to be wise to adopt a policy which will enable us to sell cotton at a price as low as 10 cents a pound on the world market if necessary. Some people think we do not need to go that low. Many people believe, however, that a price above 10 cents a pound will tend to bring about a substitution of considerable quantities of Brazilian and Indian cotton for American cotton. Other observers believe that no matter how low the American cotton is priced, the shift will take place to Indian and Brazilian cotton simply because the United States is a creditor nation with a high tariff, and that therefore there is practically nothing which the United States can do, short of giving her cotton away, which will restore the customary foreign demand for 8 million bales annually.

The fundamental aim of the United States Government with regard to cotton has been first of all to cut the carryover to normal proportions. It is hoped that the plans now in prospect will result in a carryover of American cotton on August 1, 1936, of about  $7\frac{1}{2}$  million bales, or 5 million bales less than that of August 1, 1932. The second objective is to hold the price at a point which, with benefit payments added in, will result in a fair return to the domestic producer while not unduly interfering with the movement of cotton into world trade. The program thus far has worked unusually well, but the difficult time is now approaching, not because of any particular shortcomings in the cotton program itself, but because of the fact that the United States is a creditor nation with a high tariff psychology and a belief that it can hold on to a large volume of exports in spite of high tariffs and its creditor position. This psychological factor, which is utterly at variance with reality, has provoked a profound national neurosis and, following the neurosis, internal physical disorders which reduce the nation's ordinary immunity to the shallow political quackery and demagoguery of men who presumably know better. Looking toward the future, the United States must make an effort to understand the necessity of a continuing adjustment between the needs of its export industries and the development of increased imports.

# NATIONAL SOCIALISM: THEORY AND PRACTICE

*By Dorothy Thompson*

KONRAD HEIDEN says that National Socialism is a union of causes rather than aims,<sup>1</sup> and certainly the present form of government in Germany is unimaginable without the history of the last twenty years. The Great War immensely furthered the popular sense of unity, and augmented German national consciousness. Versailles created in the midst of Europe a nation with an acute sense of grievance. The early attempts to enforce the Treaty without modification resulted in the inflation, which had serious social and eventually political consequences, for it impoverished the middle classes and accelerated the concentration of capital. The second period of attempted fulfillment, plus rapid industrial reconstruction with borrowed money, resulted in a huge public and private indebtedness, largely to outside banks, and eventually slumped into the depression.

All of these things together created a revolutionary situation which in 1929 was obvious to the blindest observers. Furthermore, the revolution was ripe along many fronts. The German Republic had occurred, historically, about sixty years too late. It set up a parliamentary democracy at a time when liberal democracy was being challenged in its historic strongholds, and the new state was without élan from the beginning. To no single group in Germany — unless for a time to some of the industrialists — did it unqualifiedly represent a desirable ultimate form of state. The largest single party, the Social Democrats, who represented the organized workers and part of the intellectuals, and were the Republic's strongest supporters, looked forward to a socialist commonwealth, and realized that they were continually compromising; while the old feudal classes sabotaged the Republic from the beginning. Saddled at the outset with crushing defeat at Versailles, it was associated in the popular mind with misery and humiliation. From being a result of the lost war, it came to be regarded as the cause of the lost war. Liberalism became synonymous with defeatism, and parliamentarism with weakness and disorganization.

The German Republic, too, was forced — or so it thought — to present a mien of misery for the benefit of the outside world as

<sup>1</sup> Konrad Heiden: "A History of National Socialism," New York, Knopf, 1935.

long as there were reparations to pay Objective foreign observers were always convinced that these complaints were exaggerated The progress in rebuilding Germany under the Republic was prodigious Professor Angell<sup>2</sup> has called it one of the miracles of history But reconstruction was not propagandized The *Europa* was not launched with demonstrations of joy, the remarkable civil aviation service was not sold to the German people as evidence of recovery Any foreign journalist who reported that Germany was rapidly overtaking the rest of Europe in technical development was regarded as anti German

Long after the rest of the world, under the influence of such dispassionate historians as Professor Gooch and Professor Fay, had concluded that responsibility for the war was pretty generally distributed, Germans themselves were still buried in morose broodings over the War Guilt Lie A genuine national grievance gradually was exaggerated beyond all reality into an *idée fixe*, and became the outstanding characteristic of the German mind It tended eventually to encompass all other grievances To bring this about all parties cooperated, even the communists, who were amongst the first to call Germany a coolie of foreign imperialism Hitler took over this argument bodily and urged his audiences "Free yourselves from International Finance! Only when Germany is strong again will you be free!"

The German capitalists, of course, were not averse to having anti-capitalistic tendencies diverted abroad, especially as internal tensions were increasing Wartime economic development plus the inflation had accelerated the natural tendency of capitalism towards concentration of ownership and control, and the workers, most of whom were Social Democrats, accepting the Marxian doctrine of historic inevitability, did not use their power to hamper this tendency Meanwhile they protected themselves against it by strong trades union organizations, and a mighty political party It thus came about that German economic life was run largely by a combination of big business and trades unions, between which upper and nether millstones the unorganized workers, small business men, white collar men, the *rentier* class and later the unemployed, were gradually choked The inflation accelerated the process by destroying the savings of the small business man and leaving him without resources of credit, and the rapid rationalization of big industry, while it brought about a phenomenal re-

<sup>2</sup> James W. Angell "The Recovery of Germany" Yale University Press 1929

building of the production machinery, created technological unemployment and put industry itself in debt to the banks, domestic and foreign. The depression gave the *coup* to the whole development. A great new class had been created: the class of the unemployed worker, whose social insurances gradually depreciated into a miserable dole, the broken small capitalist, the civil servant who was taking one pay cut after another, the indebted peasants, and finally, the whole youth for whom no future was in sight. It was this group, of diverse elements, which the Nazi movement was to make the fulcrum of its revolution.

This class looked for salvation, not to the power of ownership nor yet to the power of economic pressure through organization, but directly to the state.

The conquest of the state was the more important because it was rapidly becoming the holding company for the whole economic system, due to the fact that economic *losses* were being socialized as rapidly as possible by all groups powerful enough to lever something out of the government. For the working classes, not the insurances but the budget became the chief source of social ameliorization as the insurance funds were exhausted by abnormal demands. By 1932 more than fifty percent of the German banks had been salvaged by the government. The state had been forced under political pressure to save the estates of the great landowners from their creditors. By 1933 a serious crisis had occurred amongst the heavy industrialists. The first outward sign had come earlier, under the Brüning government, in the case of Friedrich Flick. Flick was the actual owner of the largest heavy industry in western Germany (United Steel), and finding himself in difficulties had threatened to unload a huge block of shares to the French. To prevent this, the Brüning government, which by no stretch of imagination could be called socialistic, had *intervened by government purchase, the state thus becoming the owner of one of the largest mining concerns in Germany, while the directors carried on as before.* For exhausted capitalists this was a kind of socialism they could understand!

## II. HITLER'S ECONOMICS

Although it was the economic situation which caused the growth of Hitler's movement, Hitler himself appears to have had little interest in economic factors. Ideologically, the National Socialist movement is the child of the *Völkische Bewegung* (liter-

ally, folk movement) and the Fatherland Societies, and it got its first real leg up (and its last) from the German Reichswehr. The Reichswehr, like most armies, was divorced from economic life, and the Folk Movement did not think in economic terms. The most amazing thing about Hitler's "My Battle"<sup>1</sup> is the almost total absence from its pages of any consideration of the economic structure of society.

Not Hitler, but the Munich engineer, Gottfried Feder, formulated the first economic platform of the National Socialist Party. Hitler's personal utterances often seem at variance with this program, which advocates limited state capitalism, whereas Hitler often expressed himself for *laissez-faire*.

Hitler's deficiency in economic analysis is doubtless largely due to his obsession with the Jewish question, which cut clear across his economic thinking. Very early in his political career he had come upon Rudolph Jung, leader of the Bohemian National Socialists, and it appears that it was largely from Jung — who was otherwise more radical than Hitler — that he got his conception of the economic rôle of the Jews. Jung insisted that the internationalism of socialism and capitalism were both due to Jewish leadership, and that the evils of both were in the Jewish cast of economic thinking, both of workers and employers. To Hitler the implications were apparently simple: get rid of the Jews, and you get rid of "bad" capitalism as well as "bad" socialism.

Feder did not see the matter quite so simply. He saw, at least, that Finance Capitalism could not be dismissed merely by calling it Jewish. He made a fine distinction between *raffendes* (exploitive) and *schaffendes* (creative) capital. Feder's attacks were launched against the German Wall Street. He it was who created a radical economic platform for the small business man, a sort of German version of American populism.

The clearest exposition of the economic aims of National Socialism is contained in a pamphlet issued as a speakers' manual for the July 1932 elections, and called "Immediate Economic Demands of the NSDAP." It deals with both general aims and specific plans, the latter largely confined to work-creation programs to combat unemployment. It asserts as a fundamental principle that labor, not capital, is the source of all wealth, demands the immediate nationalization of banks and all monopo-

<sup>1</sup> "Mein Kampf" (Munich: Eher, 1925, 1927, 2 v.) has been abridged and amended for the American market ("My Battle," Boston: Houghton Mifflin, 1933).

listic industries and trusts, immediate departure from the gold standard, government credit expansion, dissolution of department and chain stores, the increase of small land-holdings, and an immense program of government housing. Minimum immediate demand: 400,000 workers' homes with sufficient land for agricultural production. It demands complete state control of foreign exchange, autarchy (except for basically necessary imports not obtainable at home), and the absorption of the export slack in a richer home market. It admits the impossibility of this except as the worker receives an "adequate wage for his toil."

This is state capitalism, which, as such, had few disinterested opponents in Germany. As we have seen, Junkers, bankers, industrialists and workers had all been pushed towards state capitalism by the necessities of their systems. The issue was not whether there would be state capitalism, but what social groups would control it and in whose interests it would be administered. The National Socialist program, although it repeatedly denounced the class struggle, clearly was concerned with the interests of the smaller business man and the German worker. It openly admitted a maldistribution of wealth, and proposed its redistribution. So much for Nazi economic theory.

### III. THE "FOLK" IDEA

But the fundamental ideology of National Socialism was not economic at all. The folk movement, out of which it grew, had its conscious origins in the latter part of the nineteenth century, and among its spiritual fathers were Nietzsche, Paul Lagarde, Houston Stewart Chamberlain, Gobineau, and Richard Wagner. The teachings of these men had had a considerable influence in the high schools and universities just before the war, and were reflected in numerous political movements and societies. The folk movement put the main emphasis upon race. If for Napoléon politics were Destiny, and for Walter Rathenau economics were Destiny, for the adherents of the folk movement race was Destiny.

This movement set itself clearly against the economic interpretation of history, which according to its theorists is a biological process, emerging from the struggle between races, and civilizations have been built by the conquest of inferior by superior peoples. The decline of western power, they taught, was due to biological degeneration, due to intermarriage between superior



and inferior peoples (Jews!), to humanitarianism, which kept alive the unfit, to untrammelled industrialism, which had drawn the race away from the source of all its strength, the soil, and to the enfeebling effects of pacifism. These theorists divided the peoples of Europe into various races and took account of their physical and mental characteristics. The aristocrats amongst Alpines, Mediterraneans, Danes, East Baltics, and Jews (who according to Nazi anthropology are not a race at all but a parasite nation) were the Nordics. The original Teutons had been Nordics, the stock had declined, and with it the characteristic Nordic mentality and genius. Finally, most of the world had become enslaved to social forms designed by an alien people — the Jews. To free the Germans from alien domination and forms, to rehabilitate the German race, and to make a society expressive of essential historic racial characteristics was the aim of the folk movement and is still the avowed aim of the Nazi Party. It has expressed itself in rules for certain classes (S S men, for instance) who are forbidden to marry Jews and whose brides are subject to eugenic inspection, and in laws for the sterilization of criminals and the congenitally unfit.

The folk movement was anti-Semitic, anti-industrial, unworldly, anti-clerical, anti-cosmopolitan, and strongly nationalistic. In its more idealistic form it influenced the Youth movement, with its anti-industrialism and a picture of the coming superman, in its more common form it was the primitive anti-Semitism of the peasant toward the Jewish village storekeeper, to whom he was often in debt. It always had its mass following chiefly amongst students and among the less urban, but it was the half instinctive background of a great deal of hundred percent Germanism. Its leaders denounced both liberal democracy and Marxianism on the ground that they represented "Jewish" materialism, but actually the Folk movement is in itself — as the Christian church was quick to observe — highly materialistic, since it makes *Geist*, mind and spirit, purely biological by products.

In the chaos immediately following the war numerous political groups dominated by the Folk idea emerged. Most important amongst them were many semi-military free-booters' organizations, subsidized in part, and secretly, by the Reichswehr. It was Hitler's first great political strategy to obtain the leadership of these groups and fuse them into a single movement, and eventually into a powerful political party. The process took him years

## IV. FOLK IDEAS AND FOREIGN POLICY

If the engineer, Gottfried Feder, was the parent of Nazi economics, Hitler himself, Alfred Rosenberg, the Baltic journalist, and Professor Hans F. K. Guenther, the anthropologist, were the chief apologists of Nazi racialism. Rosenberg's rôle was portentous, because he built Folk ideas into a substructure for Nazi foreign policy. Today he is the Party's "director for German Intellectual and Philosophical Enlightenment," leader of the Party's foreign office and editor of the most powerful party journal, the *Völkische Beobachter*. He was known to be Hitler's choice for Foreign Minister.

Rosenberg, who comes from Estonia, and was officially Russian during the war, is in his foreign policy rather more White Russian than German. He was chiefly responsible for seizing on the racist idea as another basis for an anti-Russian policy. According to Rosenberg and Hitler,<sup>4</sup> Russian communism represents the conquest of Europe by Asia. The elements of population destroyed by Russian communism — bourgeoisie and aristocracy — were the European, or Germanic, elements. Communism is the triumph of Jew, Mongol, and Tartar. The destruction of Bolshevism is therefore a mission not in behalf of capitalism, believed by the Nazis to be in its dotage, but for the whole White Race. Inside his premise Rosenberg argues quite logically. If history is a struggle between races, with destiny on the side of the Nordics, then Germany must seek allies amongst those countries which most closely approximate the race ideal, and Rosenberg envisages a great German-Scandinavian-Dutch-British alliance, in a movement which will eventually drive Russia back into Asia and "liberate" the Ukraine to become a granary for Germany. Neither Rosenberg nor Hitler ever proposed an "aggressive" war against Russia. Their wish-dream is that Russia will become involved either in international difficulties (war with Japan) or internal troubles, which will furnish an excuse for "intervention" in the manner of the United States in Central America or of Japan in China.

An alliance with Britain is the most important premise in Rosenberg's program. France is rejected on racist grounds, because she "had brought the negro to the Rhine." Imperialism in the usual sense of the word is also rejected, both because colonies

<sup>4</sup>See "My Battle."

abroad would probably endanger the future British alliance and because settlements of people in far-off lands dilute racial energies and pollute pure racial blood Rosenberg's and Hitler's imperialism is of the Manchukuo variety Hitler draws a distinction between "financial imperialism," for capitalistic exploitation, and 'room expansion,' the object of which is land colonization and to find a vent for creative energies Nazi literature, like Japanese, is full of complaints at the injustice of a nation of sixty-five millions being bottled in a small territory, while Britain, France, and even Holland rule empires This condition can, according to Hitler, be corrected only by some sort of expansion in contiguous territories, the first step being to unite all Germans within the Reich This then immensely powerful nation, pressing out on all frontiers, can either conquer or dominate the rest of Central and Eastern Europe

Hitler maintains, and not without some justice, that the domination of the small Eastern European countries by France amounts to financial vassalage and that it has no basis in the real economic interests of these countries, whose business and culture link them rather to Germany Austrian independence, he is wont to assert, is a misnomer, because it rests upon French loans and Italian bayonets Yugoslavia, Rumania and Hungary have more to expect from a powerful Germany than from France About Czechoslovakia less is said publicly, but privately the Nazis predict its certain doom A nation of 14,000,000, over 3,000,000 of them Germans, besides half a million Magyars and a large block of Ruthenians (Little Russians), could not hope to continue its existence surrounded by renaissance Germany linked to Hungary and allied to an independent Ukraine Its fate would be Poland's under Frederick the Great

The weapon with which Nazi theorists hoped to accomplish this end was revolution In the smaller countries the Nazis envisaged German minorities, organized into powerful Nazi cells, springing open the state from within, under the revolutionary cry "National Socialism and Freedom from International Financial Domination' The addition of Austria to Germany would bring the revolution to the doors of Hungary, whose present premier, Julius Gömbös, is a former leader of the Awakening Hungarians, and whose soil has been well prepared for Nazi ideas The anti-French element is strong in Yugoslavia and was certainly one of the factors indirectly connected with the assassination of King

Alexander. The Iron Guard organization in Rumania is strong and has all along been in touch with the Nazis.

Essential to the success of this program, however, would be a Germany militarily strong enough to risk warfare. She would call it *defensive* warfare — that is to say, defense of what she considers a perfectly legitimate program to be achieved by revolutionary means. Germany's conception of equality is the power to secure domination in Central and Eastern Europe as France secured hers: by economic and financial pressure backed by military power, with the difference that in one case the military power was put at the disposal of the various governments concerned while in the other it would be used to force those governments into line.

This Nazi policy does not greatly differ from those of previous governments. Under the Nazis it becomes more immediate, because it is supported by a social-revolutionary program and open and speedy armament on a vast scale. Hitler does not consider it incompatible with peaceful protestations. Leave him alone, he thinks, and he can carry it out without war. That is all.

#### V. GERMANY AS A WAR-TIME ECONOMY

The two outstanding characteristics of the German mind since the war have been, first, a sense of national grievance, and second, a declining faith among all classes in liberal capitalism. National Socialism fused the two in the conception of Germany as a "coolie" nation, exploited like any colony, by foreign financial imperialism and military power. It made the liberation of the German nation synonymous with social liberation. Its historic rôle was to put German social radicalism behind German militarism, to hail German militarism as the means of achieving a new society.

The form of state bound to emerge under these circumstances was precisely what has emerged, a war-time economy. The German social revolution has become crystallized in full swing at a certain point: it is held in suspension by a program directed outwards. Internal economic revolution has not been achieved but postponed, and the German people are being prepared to fight for it before it exists.

The form which the revolution took is the key to what its essence really is. The Nazi revolutionaries fought for complete control of the state. Many of them looked forward to genuine revolution — to quote John Chamberlain's excellent definition, change in

structure and aim. Actually what has been built up by Hitler is not a Nazi revolutionary state but the totalitarian state, which is not the same thing. The most consistent Nazi revolutionaries knew this, hence all the talk of the second revolution and the actual Thermidor of June 30, 1934, when the idea was scotched by a preventive massacre. The technique used by Hitler has not been re-organization but *gleichschaltung* coordination, the switching of everything into line, with change in direction and control determined, not according to any revolutionary principle, but entirely personally and pragmatically. In fact, the form of social and economic organization prevailing in Germany under the name of National Socialism is one so familiar that only the incongruity of the absence of actual armed hostilities prevents its being recognized immediately for what it is: the characteristic organization of a country in a state of war. It has complete centralization of authority. This extends to control over economic life and public opinion, strictures on capital and labor inside an enforced social truce, cultivation of like-mindedness by propaganda, and enforcement of it by ruthless terror, elimination of questionable elements, internal espionage and death sentences for forms of espionage usually treated lightly in peace times, glorification of sacrifice and heroism as prime virtues, relegation of culture to a secondary place, mass worship of youth, militarization of religion, organized inspirationalism, conception of world mission, civil dictatorship in the interests of a military machine. These are the characteristics of any social economy in time of war, and these are the characteristics of National Socialism in practice.

That a prodigious social effort of this sort, directed outwards, is accompanied by an intensification of national emotion and sense of purpose, and releases not only disgusting brutality but also reserves of personal heroism and social idealism, is also characteristic of all nations at war. Psychologically speaking, war is the intensification of the erotic instinct in the service of death, and perhaps this is what Hermann Roeschling, the Saar industrialist, meant when he said: 'National Socialism is founded on love.'

Although it seems natural that Nazi policy, by its emphasis upon subjection to outside imperialism, and consequently upon militarism as the clue to the internal social problem, should have taken this line of development, this denouement was certainly not foreseen by the masses of people who supported it. If they had, they would have realized that the immediate eco

conomic aims" were unrealizable. A nation preparing to throw off a foreign yoke does not begin by disorganizing its key industries by revolutionary measures. The chief concern of the National Socialist state is not, to be sure, production for profit, but neither is it production to raise the living standard of the masses. Its chief concern is production for war.

The great monopolies, trusts, and banks, whose nationalization was a fundamental of the Nazi program, have not been nationalized. On the other hand, complete state control of foreign exchange, and therefore of foreign trade, has been put into effect and profoundly affects the conduct of industry. But this kind of nationalization has changed neither the ownership or direction of trusts; it has merely become the control exercised by the chief customer, the state, or better said, the army. As chief customer, the state does to a degree dictate prices, but that it permits profits is illustrated not only by the rise in the quotations of the shares of heavy industry, but by a new law whereby trustified industries are compelled to invest all profits over six percent in government bonds. By this process the state, having refinanced the corporations as creditor and customer, will eventually become their debtor. What the tax-payers are getting for their money and credit is neither increased buying power in the form of higher wages, nor cheaper kitchen stoves, bathtubs and houses, but airplanes, tanks, and artillery. They are, to be sure, getting cheaper automobiles — and every man who buys one is immediately enrolled in a motor transport corps.

Immense state interference in industry has occurred. Some solvent businesses have become indebted because of state decrees that they must change from the producing of this to the producing of that.<sup>6</sup> Export industries have suffered a shortage of raw materials because available foreign exchange has been accredited chiefly to the industries producing munitions. But this interference has occurred, not for social but for military considerations. The tendency has not been to dissolve the trusts but to increase their range; and in view of the lack of a real social guiding principle, those concerns and individuals have come off best which have been able to bring pressure on the government, either through personal connections or party contributions.

<sup>6</sup> For instance, the well-organized brown coal industry, which was forced to reorganize and equip itself for making oil out of coal under the Bergius process and was then attached to the Leuna works of the powerful I. G. Farben Industry, the chemical trust.

One need only examine the history of the attempts to "coördinate" the employers' organizations and compare them with the fate of the middle class and workers' organizations to see where the real power lies. In the days immediately following the Nazi election success in March 1933, some attempt was made by the Nazis to usher in the corporate state. Dr. Robert Ley conceived of the new state as resting upon labor and attempted to capture the trades unions. Dr. Rentelen, a former Youth Leader, wished to assure chief power to the Chambers of Commerce, once he had captured them from within for the Nazi middle class organization called the "Fighting Front of Industrial Middle Classes." At the same time Dr. Otto Wagener, who had become Hitler's chief economic adviser, set about coördinating the Employers' Organizations, and putting them under Nazi control. Whereas Rentelen and Ley both succeeded in dominating the groups they set out to subject, Wagener's endeavors ended in such fiasco that he was removed from his post and several of his collaborators were removed to concentration camps.

Originally both the Trades Unions and the employers' organizations reserved their attitudes towards the new government until they could see what it intended to do. Dr. Wagener replied to the coolness of the employers' organizations by demanding the resignation of many members of the boards, these to be replaced by loyal Nazis of his own choosing. Protests to the government were immediate, energetic and successful. The employers' associations did, to be sure, switch into line, but they switched in their own way, under their own leadership, and according to their own interpretation of what the line was. The first government movement against the great trusts ended with one of the great industrialists as dictator of the whole of Western German industry.

The Nazi organization, "Fighting Front of Industrial Middle Classes," organized in 1932 as the instrument to effect middle class liberation, did capture control of the Chambers of Commerce, but Hitler promptly abandoned the idea of the corporate state, and later Dr. Ley of the Labor Front dissolved the organization.

The capture of the Trades Unions was the single bold revolutionary movement launched by the Party against a powerful economic group. The action of the Storm Troopers in occupying the Trades Union headquarters, in confiscating their funds and

dissolving their executives, was pure revolution undertaken after attempts to capture the leadership, by the medium of Nazi cells within the various unions, had failed. But the unions originally promised exactly as much coöperation with the Nazi state as the employers had offered. They were prepared to coöperate with the government on the same terms which the employers actually obtained.<sup>6</sup> Nevertheless, they were taken over, completely reorganized, castrated, and made, not a function of government, but an appendage of the Nazi Party.

Actually, many of the more enterprising Nazi cell leaders in the unions were sent to concentration camps; Ley's dreams of making the unions the base for a state edifice failed; and the real power passed to "Trustees of Labor" appointed by the Chancellor to "protect" the interests of the workers according to standards determined by the state in collaboration with Big Industry. What this amounts to is industrial feudalism as benevolent as is compatible with the aim of building a huge army, supporting a tremendous bureaucracy,<sup>7</sup> and protecting the profit system. What conquests of capitalistic enterprises have been made — for instance, of the great Jewish publishing houses, Ullstein and Mosse — have not been made for the benefit of German workers.<sup>8</sup> And it needed only the threat of liquidation from the strongest Jewish banking house in Germany to obtain a hands-off policy.

#### VI. REORGANIZATION OF AGRICULTURE

In the reorganization of agriculture there is perhaps less disparity between Nazi theory and practice. At any rate, agriculture has come under a far more rigorous state control than industry. The "Immediate Aims" asserted that the small-holding was the basis of Nazi agricultural economy and demanded that it be favored at the expense, if necessary, of the great estates. Agriculture was to be protected by import prohibitions, and the industrial worker, too, was to become part of the productive system by settling him in state-constructed homes with large gardens. There was to be a radical reduction of interest rates to farm borrowers, and land was to be confiscated without compensation for communal purposes.

<sup>6</sup> Cf. speech of Theodor Leipart, President of the Independent Trades Unions, April 7, 1933, in which he offered collaboration with the Nazi government "in the great aim of setting the external and internal liberty of the German People upon the foundation of the nation's productive forces."

<sup>7</sup> Note that in addition to the state bureaucracy Germany must support today "by voluntary contribution" a party machinery which duplicates the state system.



In 1928 Hitler had added a footnote to the paragraph in the Nazi program recommending confiscation of land, and defined it as legal measures to be taken for the recovery of land unjustly acquired or administered in a manner incompatible with the welfare of the people. The measure, he added, was chiefly directed against speculative Jewish real estate corporations. This drew the teeth in the original program, but it was considered necessary before Hitler came into power, and under governments theoretically less peasant minded than Hitler's (those of Brüning and Schleicher), to cease holding intact the great estates of Eastern Germany through government subsidies. Under Hitler, the estates have not been broken up, but have been supplied with Nazi youths in the place of former Polish laborers. The attempts of Walter Darre as head of the Nazi Agricultural Association to reduce rates of interest on farm loans to two percent encountered opposition from Reichsbank President Dr. Schacht, and from the first Minister for Economics under Hitler, Dr. Schmitt. Dr. Hugenberg, who was the first Minister for Agriculture under Hitler, tried to increase agricultural prices but found it more difficult than he expected. When he was succeeded by the more radical Walter Darre, the government moved towards complete dictatorship of prices, acreage, and crops. Darre hoped that the great estates would release land for settlement, but, salvaged by Hugenberg, they took a new lease on life, and actually there has been very little land on the market.

Darre's chief interests are not economic but racial. He is a leading Nazi eugenicist and author of the idea that all German women should be divided into categories for breeding purposes. He finds the land to be the chief source of racial strength and believes peasants must stay on the soil whether they want to or not. He is the author of the most radical measure which Germany has yet taken—the so-called Hereditary Farms Act, under which old established peasant holdings are entailed to the oldest son for ever and ever, and cannot be mortgaged, sold or transferred. This, of course, breaks the servitude to interest of the peasant, by destroying his credit. In 1934 Gottfried Feder, the original Nazi economist, who was soon to be removed from the Ministry of Economics, where his ideas were considered too radical, was put in charge of the German colonization program, to carry out the promised settlement of industrial workers in homes and upon land of their own. In the 1935 edition of the National Socialist

Annual he is still rosy in prediction but empty of accomplishment. The 400,000 homes seen as an "immediate" undertaking have not been begun.

The reason is implicit in Hitler's philosophy. It is a basis of his whole theory that Germany does not possess sufficient land and soil for the needs of her population. She must acquire it. The army comes first.

#### VII. ENTHUSIASM FOR POVERTY

For those who believe that the economic motive alone moves masses of men, it would apparently follow that discontent would be widespread and disillusionment profound. But on the contrary, one is forced to admit that Hitler enjoys phenomenal mass support. There *is* disillusionment, deep, bitter, and by no means confined to socialists, communists, and Jews, the treatment of whom has been a world scandal. There is many a Nazi who today nurses an outraged heart, and such opposition as there is has come most vigorously from conservatives. It *is* true that the régime operates by propaganda and is backed by ruthless terror. It *is* true that there is discontent amongst the workers. It *is* true that the various plebiscites with their ninety-percent majorities do not fairly gauge public opinion. Even the great victory in the Saar does not prove all that the Nazis claim. It merely proves that Saar Germans wished to join Germany — even Nazi Germany. Nevertheless, it is equally true that the enthusiasm is only partially forced; that the conditions are on the whole accepted, the propaganda believed, and the terror — except when it hits close home — ignored. The reasons are not economic. They are emotional and psychological.

Actually, the standard of living of the average employed individual is falling in Nazi Germany, as it has fallen in Fascist Italy. The Nazi work program, in practice, substitutes for the right to support the duty to work, and divides what work there is. Industries employ two men where one would do, and the two divide the former wage of one. That this is true is borne out by a comparison of re-employment figures with the total increase in the wage bill. The process does not add to industrial efficiency and it does not add to total buying power. The thousands in concentration camps, the other thousands ousted from jobs for political or racial reasons, the thousands who have left Germany, and the thousands of women sent home, are not counted as

unemployed The Voluntary Work Service (no longer voluntary) is not conceived essentially as a re employment program, but rather as a regular service of youth to the state, but it has taken up thousands formerly on the dole The German worker today is building roads and draining swamps, drilling as a soldier, adding to the means of production as well as to the actual production of the nation, but his share in the profits of the whole business is relatively small The boom in consumption is in the upper categories of incomes

But the Nazi state has ameliorated the pains of poverty, as communism in Russia has ameliorated them, by removing from poverty the stigma of inferiority, by giving to it a sense of purpose, and by holding out the hope of a glorious future Although it has not created the classless state, which is its claim, it has done much to create the appearance of the classless state, and in this has shown much more shrewdness and imagination than its democratic predecessors It has abolished "entrances for gentry only," and lately proposed the prohibition of aristocratic titles It has certainly elevated common boors to high positions It has not democratized income but it has enormously democratized culture It denies the ideal of "equality," but its standards of aristocracy are attainable by the masses, since to be one of the "elite" in the new state one needs only to possess health, what is supposed to be a typically German build and cast of countenance, and the virtues of the common soldier

It has shut the masses out of control, but it has enormously increased their sense of participation They do not vote — except for Nazis — but they parade They are marshalled out as Peasants or Workmen or Owners of Garden Colonies, each group in its own uniform, with its own flags, singing its own songs, and upon each group it is impressed that the future of the nation rests in its collective hands A special emotional value is attached to every walk of life To be young is to belong to Youth, to be a girl is to be born into German Womanhood National Socialism substitutes for *Having the sense of Belonging — the excitement of common participation in a unique experience, which is the single emotional compensation which war offers in exchange for its horrors*

It is a tremendous error to underestimate these psychological and emotional factors The German Republic underestimated them This was its greatest failure, that it did not create a national

myth for a people peculiarly susceptible to myths and very much in need of one.

Under these conditions, and for the time being, it is not the German masses — with the exception of the thinking ones — that are finding Germany a hell. Those who suffer are the most highly individualized, the sensitive, the differentiated, the analytical, the discriminating, the fastidious, the spiritually heroic: those who are not of the herd. Precisely those who suffer in war.

If National Socialism is really a war-time economy, foreign policy becomes the Achilles heel of the whole system. For the building of the military machine no sacrifice has been too hard for the German people, suffering under a sense of national inferiority, national grievance, and fear. But what will happen when military inferiority quite plainly no longer exists? That moment is approaching. It is nearly here. Hitler counts that the acquisition of military power will be accompanied by diplomatic prestige and success. But suppose the opposite happens? Suppose a powerful Germany incites more fear than she attracts admiration? At present this seems to be the case. Does Hitler (is he not already a prisoner of the army?) intend to go on building up a huge military machine, at the price of cumulative impoverishment, until he can fight all Europe? How much strain can heroism stand? And how long will military morale hold if there is no enemy?

The whole system as it at present exists is built upon the presumption of an enemy. Yet there stands the plain fact: if Germany does not undertake territorial aggrandizement, she has no enemy in the whole world.

It remains to be seen whether a system of economy good for waging war is, in the long run, good for anything else, or whether heroic endurance can exist for its own sake. The present system will not, because it cannot, rehabilitate the middle class and the small entrepreneur. So far the result of National Socialism has been to carry forward the levelling process between the middle class and the workers, by blotting out the only difference which really remained — a psychological one. It therefore seems likely that if war is indefinitely postponed, while German imperialism is stalemated by the collective (even though passive) resistance of a united Europe, and if National Socialism is forced to turn its chief attentions inward, its first serious crisis will then be at hand.

# THE PARAMOUNT INTERESTS OF BRITAIN AND AMERICA

*By Sir Willmott Lewis*

**A**MONG the relationships which together make up the pattern of international affairs those between the United States and the member nations of the British Commonwealth are incomparably the most fruitful for good or evil. The point can most effectively be driven home if we assume that, for any reason, antagonism rather than friendship were to govern the attitude of the United States and the United Kingdom toward one another, and if we then attempt to estimate what changes in the international structure would at once be brought to pass. Of Anglo American relations it can be said that their condition, actual and prospective, influences the calculations of statesmen within and without the British Commonwealth in a way which, if not decisive, is more potent than that of any other bilateral factor in the sum of things. The United States is the strongest single force in the world, and the fact that such a force is now situated outside the European continent has created a new problem in political magnetism, the geographical position of the United Kingdom, and the special relationship to Europe thus imposed, enormously strengthen its voice in continental counsels, and, finally, the existence of the British Commonwealth and of a British colonial empire, and the far-ranging connections of the United States, bring the interests of the two Powers, both political and commercial, into juxtaposition in all regions of the globe. To this must be added — what Mr. Walter Lippmann<sup>1</sup> has so clearly set forth — that their political relations are vexed by no disputed frontiers, no "spheres of influence," no desire for territorial expansion, that their world outlook is fundamentally the same, that their speech and traditions are drawn from the same well. Why, as he asks, do they not stand together more effectively than they do?

## II

Mr. Lippmann finds an answer in the assertion that the paramount interests of one are the secondary interests of the other, that "their most immediately pressing needs are not identical."

<sup>1</sup> Britain and America. FOREIGN AFFAIRS, April 1935.

He says very truly that British frontiers are in the Low Countries, while the American frontier is on two oceans, connected precariously by the Panama Canal. He asks, as a first step in the development of Anglo-American political coöperation, a "clearer definition of British policy in the region of its primary interest, which is Europe, and of American policy in the region of its primary interest, which is the Pacific."

There is, if a retort courteous be permitted, a neatness, an air of logical finality about this, which is deceptive. It invites entry into a field of discussion in which British uncertainty as to American action where Europe is concerned, and American uncertainty as to British action where the Orient is involved, can be provokingly balanced one against the other as preventing any "clearer definition" of policy by either country, with the result that the hen and the egg compete once again for priority in existence, and confusion is worse confounded.

There is a real primary interest of the United States and Great Britain, and it is neither the Orient nor Europe. For each it is made up of self-preservation and its corollary, peace, which dovetail one into another like mortice and tenon. To say that for the United States the Orient is primary and Europe secondary in rank, or that the obverse is true for Britain, is to take no account of the fact that when war impends or breaks out in Europe the affairs of that continent become a primary interest of the United States, and that when war threatens or occurs in the Far East the affairs of that vast region become of primary interest to Britain, herself a great (not less than the greatest) Oriental Power. Even this is not all, for out of the madness which denies interdependence in trade, the world of our time has spun a new and ghastly interdependence in armament and military assistance, so that an explosion in Europe must invite another in Asia, and hostilities in Asia must subject the fabric of European peace to intolerable strain. We are led, I believe unescapably, to the conclusion that the sole "primary interest" of the English-speaking world is peace, and from that conclusion to a question: Is there not a serious disproportion between the power and potential influence of the United States, and the part which the American people have been willing, or seem now to be willing, to play in the organization of peace?

It is with no remotest desire to draw a comparison with Great Britain, but in the hope that an attempt by a friendly observer

to distinguish between the characteristic attitudes of one and the other government may contribute something to objective discussion, that I venture to assert the existence of this disproportion

## III

It would, perhaps, do no injustice to Mr Lippmann's article to say that it seeks, *inter alia*, to discredit such phrases as "American isolation" and "British internationalism," by stating a sort of political equation, or what might be an equation if the two quantities — Britain in Europe and America in the Far East — were not unknown. The *clichés* which move him to impatience should certainly not be kept in circulation. No doubt it would be as fanciful to describe the temper and disposition of the people of Great Britain as "international," by any definition of the word known to me, as to say that in the last half century the mounting strength of the United States had permitted or encouraged the American people to practice "isolation." It follows that any lack of Anglo-American political coöperation cannot be handily explained by reference to such imagined attributes as these. What is more, the characteristic manifestations of American foreign policy since the World War have strangely resembled those which, *mutatis mutandis*, distinguished the policy of Great Britain from the time of the defeat of Napoleon to the day, in 1900, when Germany embarked on the creation of a great navy. The concept of the "balance of power" is as clearly visible in the pattern of America's attitude toward the Far East today as it was in the design of Europe which Britain helped to draw in the nineteenth century. These and other things are clear enough, but their discussion, which might be endlessly continued, could bear no fruit. Some better purpose might perhaps be served by the suggestion that the British policy of "splendid isolation," as we look back upon its results, had no such enduring success as would make it the best of models. Or if we should extend the lines of today out into the future, and attempt to show the United States — a later and a larger Britain — as the withheld and deciding weight in the scales of a world balance of power, as was England of a European balance of power, until history repeats itself, America is (as was Britain) forced to throw her weight into the scales in order to restore a lost equilibrium, and the hopes of mankind are blotted out in a universal war.

Vaticination, however, is mere vanity. You may bring in nineteenth century Britain to explain twentieth century America if you are willing to accept all that is thus implied. But surely something more is desirable in — and demanded by the urgencies of — the present time. There is, I firmly believe, an essential difference between British and American policy today which no reference to regional parallelism can diminish.

Broadly stated, I believe the difference to be this: that British policy, more acutely sensitive though it may be to events in one region than another, yet is always concerned, in a positive and what may be called an intervenient sense, with *the causes of war* everywhere; whereas those responsible for American policy have been constrained to cultivate insensitivity to *the causes of war* in Europe, and can move into contact with events antecedent to possible conflict only when the Pacific is the theater. There are reasons for this unequal response to realities — for such on the surface it appears to be — which rise above captious criticism. They have no relation to the degree of wisdom or clarity of vision of American statesmen, who — without exception in my personal experience of the State Department — have fully grasped the essentials of a positive contribution to European peace which they have been politically unable to make. Nor, by the same token, do they justify the tendency in foreign countries to ascribe to the American Government and people lukewarmness in the greatest of all causes, a tendency born of that massive, and apparently irreducible, ignorance about the American system of government which afflicts the average non-American.

The difference in the quality and inclusiveness of British and American policy is, in fact, constitutional. The American system differs from the British in many respects, but in one most influentially. In the words of Walter Bagehot, the "efficient secret" of the British Constitution is that executive and legislative powers are one; the most important attribute of the American Constitution is its dispersion of power. The effect, in one and the other case, upon the formulation and expression of a consistent foreign policy is immense. Freedom of action, within parliamentary bounds, is given to a British Cabinet in a degree unknown to any American President, whose executive power is balanced against — and, let it be said frankly, is too often found to be in conflict with — that of a jealous and equally puissant legislature. Thus it is that American foreign policy so often resembles Penelope's web,



for what is woven by the President may be unwoven by the Senate, to the confusion of such suitors as, for instance, Secretary Hay with his treaties, President Taft with his proposals for arbitration, and President Wilson with his Covenant of a League of Nations

Most foreigners, and some Americans, abound in criticism of the situation which thus periodically develops, and they may be right, though we must allow for the fact that the foreigners are generally right for the wrong reasons, which the moralists assure us is not rightness at all. Other Americans, however, seem to me to rationalize this conflict between executive and legislative in the field of foreign affairs, to endow it with some mystic and recondite wisdom, to see in it something ultimately purposive, and with these it is difficult to agree. For it has been, and remains, a source of grave uncertainty for the Cabinets and foreign ministers of other countries, Great Britain among them, who must await the action (often contradictory) of the Senate before they can estimate the value of a declaration by the American executive, and, what is more important, must take anxious counsel before they follow the invitation of an American executive policy, lest its later implementation be refused by the Congress and they be left in a position of dangerous detachment. So was it, where the Great Powers were concerned, with the non recognition doctrine of Secretary Stimson, a fact which American opinion would do well to recognize

#### IV

It is time, however, to say that nothing in what has gone before is intended to imply that in British foreign policy all is clear, firm, positive, following an ordered and undeviating line. That would be a childish avoidance of the truth. A quotation from the late Sir James Headlam-Morley,<sup>1</sup> sometime historical adviser to the Foreign Office, will serve admirably to show how Great Britain's dealings with foreign powers are the outcome, as he says, of interaction and compromise between many different and competing interests and motives. He goes on

In the beginning we have the union of the British Isles, achieved after centuries of effort, only to be broken in our own days, the dominance of the Narrow Seas and the struggle to prevent a great military and naval power being established on the opposite shores. And then the field of interest widens. We

<sup>1</sup> "Studies in Diplomatic History" London Methuen 1930

become aware of the Atlantic motive; there is expansion across the ocean, the struggle with Spain and France and the foundation of colonies. At the same time as the Ocean, the Mediterranean Sea comes into the picture; interests and influence are established in waters to the rulers of whose shores we cannot fail to appear as alien interlopers. And then are added India and the East, and the road to India, and our coaling stations, and the opening up of China; until it has come about that with the furtherance of trade and commerce there is no continent in which we do not have real and vital interests.

The maintenance and defense of these interests provides in each case a new motive of policy, but the real problem arises always from the very number and variety of the interests to be defended, the developments to be furthered, and the objectives to be pursued. Like all other countries, England has but a limited amount of power, wealth, public credit and political influence, and success requires a careful economy of resources. Just because the interests of this country are world-wide, just because there is no continent in which it has not political power and fields of economic enterprise, it is more than any other country exposed to the danger of pursuing conflicting aims and arousing political opposition, and, for this reason, objects which are desirable in themselves cannot all be attained at the same time; there must be a sacrifice of material advantages, even a withdrawal from spheres of authority where we have established ourselves. . . .

To this is largely due an element in the history of British policy which is often cause for unfavorable comment. There appears to be an uncertainty of touch, a vacillation and indecision, which is undoubtedly very inconvenient to those other nations who desire to cooperate with us, and which easily may give an impression of weakness.

How much of the phrase "British internationalism," to which Mr. Lippmann objects, is left after the reading of such a passage? Yet Sir James's words invite this comment at least: that if constantly changing conditions had not taught the guardians of an often hesitant British policy to adapt their methods and correct their aims, there would now be vastly less for these gentlemen to guard. They have learned to watch for, and within the limits of their power to seek the removal of, *the causes of war* everywhere. This is not a hazardous policy. The real danger would lie in a failure to follow it. And I humbly suggest that the policy of nineteenth-century America may not, because it seemed necessary and profitable many years ago, be still equally fitted in the twentieth century to serve the real interests of a Republic powerful beyond any unit on earth, the greatest of creditor nations, whose people, by the very fact of their wealth, their strength, and their habits of action and enterprise, are today vexed by the question whether, if war should break out, they could possibly remain neutral.

It remains to find some word to take the place of "isolationism" as descriptive of the American position. At the risk of adding to the already staggering list of neologisms which bedevil the purist, I suggest "unilateralism," as to which a few illustrations may take the place of definition. The time has long gone, if it ever existed, when the effect of any action by the American Government could be confined within the continental borders of the country. The time never was when actions within a certain category, actions theoretically of purely domestic import, could fail to exert a powerful influence for good or evil upon the peoples of other lands. And yet today, when the nation is stronger than ever, it is (I hope I may say without offense) too rarely that we find any account taken of the inevitable repercussion abroad of policies to be enacted into law.

Certain modern instances may be cited, and one particular aspect of the Immigration Act of 1924 may head the list. Its import will be better understood if we remember that, at the Paris Peace Conference of 1919, the conviction of the Japanese delegation that they were denied equal status at the council table with the great white Powers was a source of profound embarrassment in negotiation. There ensued a period of dangerous tension in Japanese-American relations, which was happily relaxed by the Washington Arms Conference of 1921-22. In Washington the representatives of Japan felt, and were not mistaken, that a cordial equality was theirs. An agreement as to capital ships and a nine power Chinese treaty were successfully drawn up and signed, and a settlement of the Shantung difficulty by China and Japan was made possible. Not long after, a veritable explosion outward of American generosity toward the sufferers from the great Japanese earthquake encouraged the people of that land in their new conviction that Americans were indeed their friends. And then, in 1924, with the refusal either to continue the "gentleman's agreement" as to Japanese immigration, or to grant Japan a quota — not many more than 100 persons annually would have entered — all the good was undone. Long residence in Japan, and knowledge of its proud and sensitive people, leave in me the conviction that the breakdown of the Washington agreements began with the feeling that the cordiality with which their delegation had been received in 1921 was unreal, that equality of status in the most

delicate of its forms of expression could never genuinely be theirs.

We shall be moving still in the region which Mr. Lippmann describes as the "primary interest" of the United States if we turn now to China, the maintenance of whose independence and administrative integrity has long been an avowed objective of American policy, whose market is desired by American traders, and whose people have had the sympathy of countless Americans in the period of unhappy Sino-Japanese relations which began a few years ago. The Chinese are believed to have suffered cruelly from unwarranted attack, but it is doubtful whether the cost to them of Japanese bombs dropped and shells fired is not less than that inflicted by the American Congress when it passed the Silver Purchase Act of 1934. It will be difficult to make the Chinese accept as explanation that new stocks of silver were required in order that this country might have a currency base broad enough to support a higher price level. Indeed, this and other explanations have been dismissed by Americans and by the newspapers of this country themselves in favor of that which attributes the legislation to the political need of placating a small group of silver-producing States and their representatives.

Finally, a brief allusion to the question of Philippine independence may not be out of place. The ultimate disposition of the archipelago is entirely the affair of the American people. But their decision cannot fail to play a part in the strategic preoccupations of Japan, Great Britain, certain dominions of the British Commonwealth, and Holland. It had long been a confident assumption of the islanders that the grant of independence, when it came, would take generous account of their material well-being and military weakness — would, in short, be a final and noble expression of American altruism, supported by such international agreement as the beneficent purpose and powerful influence of the United States might incline the American Government to conclude. No more need be said upon this than that those who, like myself, have lived and worked in the Philippines, an experience always productive of warm affection for the kindly, hospitable folk who inhabit the islands, were seriously disturbed by the indifference to all but the competitive aspects of economic relations which determined the action of Congress. As for an international agreement which might allow the Filipinos to develop behind a friendly protective screen, Congress was in too great a hurry to permit of its initiation, even if international affairs had not been

too confused to justify a hope of success, and we are now left to wonder whether it can ever be made. The fate of the islands without either continued American guardianship or some substitute multilateral engagement is not difficult to predict, and must now be a rather uncomfortable factor in the calculations of some of the Powers I have mentioned.

In all this the point upon which I would respectfully insist is that each of the instances cited is in fact a manifestation of American foreign policy, and that each can be shown to be inconsistent with the aims or professions of that policy as it has from time to time had executive expression. The foreigner who desires to understand the uncertainties of American relationship to the outside world would be wise if he kept his readiness to criticize under strict restraint, and recognized these cases as the almost logical outgrowth of a system based upon the dispersion of power. There may be room, of course, for reflection upon the curious fact that, whereas the Senate often intervenes to block the road of executive action in foreign affairs, the President — who has the power of veto — rarely if ever interposes a negative when legislation which may be a wholly disastrous contribution to external policy is involved. But while the field is open to the operations of two forces, executive and legislative, between whose equal powers the Constitution has decreed a legal separation, and whose activities can be contradictory, it need occasion no surprise if the result, when it takes a statutory form, should be determined by the arguments and pressure of regions within the continental area or distinct groups within the population — the Pacific Coast, the silver producing States, or a farming section — rather than by a more fully integrated national interest.

In conclusion, let me say that Mr. Lippmann's demand for "clearer definition" of British and American policy at the points (as he finds them) of greatest susceptibility, seems at once too gradual for these urgent times, and less effective than would be the development on this side of the Atlantic of a positive concern with *the causes of war* everywhere. Not until this had been tried could the results be determined, but it is fairly arguable that thus, and perhaps thus only, could American executive and legislative powers be united in the service of consistent action, and the cause of Anglo-American coöperation for peaceful ends be genuinely advanced.

# THE AIMS OF JAPAN

*By Baron Reijiro Wakatsuki*

IT IS with considerable diffidence that I venture to present briefly my views concerning Japan and her aims, for I am not at all certain that I can say anything which has not already been said many times. I do, however, welcome an opportunity of addressing American leaders in the world of thought and diplomacy. I should like to talk to them, as it were, in an informal, heart-to-heart fashion. That will serve best, I believe, the cause of Japanese-American friendship.

I am firmly convinced, as a large number of Japanese are convinced, that friendship between the United States and Japan is essential not only to both countries but to the welfare of the entire world. Perhaps I may be permitted to be somewhat personal. Towards the end of 1929, on my way to the naval conference which was then about to open in London, I spent a few days in Washington, where I had the opportunity of conferring with President Hoover and Secretary Stimson. What was then uppermost in my mind was how to advance Japan's friendly relations with the United States. To that end I considered it to be of the greatest importance that the two countries should come to an understanding on naval questions in advance of the London Conference. It was for that reason that I went to London by way of the United States. I recall with much pleasure and keen appreciation the hearty welcome given to me in Washington, and the friendly spirit in which both the President and the Secretary of State expressed themselves on various questions. Since then, whether as head of the Japanese Government, or as the leader of a political party, or merely as a private citizen, I have always done all I could to promote Japanese-American friendship. Naturally I have followed with constant and careful attention American public opinion towards Japan, as well as Japanese public opinion towards the United States.

## II

The results of the London Treaty and more recently the Manchurian incident shocked public opinion considerably in Japan and in the United States. There were a number of Americans who criticized and condemned Japan's policy, just as there were a

number of Japanese who held similar opinions about the policy of the United States. But I believe that before a nation passes any judgment upon another nation's conduct she should first consider what she herself would have done had she been in that nation's place. Therefore, I should like to ask you first of all to visualize clearly the situation confronting Japan.

I can readily enough see how difficult it must be for you to put yourselves in our place, as there are few points in common between the situation which confronts America and that which confronts Japan. The physical and geographical circumstances of the two countries are totally different, to say nothing of their histories or their customs and manners. Your country is compact, though vast in area, it is peopled rather sparsely, though the total population is great, and it is immeasurably rich in natural resources. In fact, America is almost entirely self sufficient and self supporting. Ours is a country consisting of many small scattered islands, extremely overcrowded, and so poor in natural resources that we must largely depend on imports for our supply of raw materials. The neighbors with whom you may have troubles are either small or militarily quite impotent. On the contrary, we are face to face with two great continental Powers — China, with an area sixteen times as large as ours and a population of four hundred million, and the Soviet Union, with an area thirty times as large as ours and a population of one hundred and sixty million. Moreover, these two countries, by reason of the exceptional conditions prevailing in them, have been sources of constant anxiety to Japan.

In view of such an absolute difference in the situations of Japan and the United States it may be too much to ask that you put yourselves in our place before you criticize our actions. But this you should try to do, just as we should try to put ourselves in your place before criticizing your actions. And I cannot help believing that, if you were in our place, you would be doing exactly what we are doing today.

### III

As regards the domestic situation of Japan, we are faced first of all with a most pressing problem of population. We have at present a population of ninety million, and because of the smallness of our area Japan is one of the most densely populated countries in the world. This population, I must also point out, is

increasing very rapidly, at the rate of eight or nine hundred thousand per annum. .

Although it is only a few decades since we came into close contact with the Occident, Japan is an old country. We have long been known as an active and energetic nation. Marco Polo, who returned to Venice in 1295 from his travels on the Asiatic mainland, wrote of the "indomitable courage of the people of Zipangu." More than three hundred years after Marco Polo's time our country entered upon a hermit life, which lasted from 1636 to 1858. During that period the isolationist policy of the Tokugawa Shogunate suppressed the expansive vigor of the people. But as soon as the Meiji Restoration lifted the ban on foreign intercourse the long-pent-up energy of our race was released, and with a fresh outlook and enthusiasm the nation has made swift progress.

When you know this historical background and understand this overflowing vitality of our race you will see the impossibility of compelling us to stay still within the confines of our little island home. We are destined to grow and expand overseas. Well, then, whither? If Japan had, like America or Great Britain, immense and sparsely populated territories, it would not be necessary for us to go to Manchuria or anywhere else on the Asiatic mainland. The United States, Canada, Australia and New Zealand and other regions in the Pacific, with vast areas and scanty populations, where there is much room for emigration, are closed to us for no other reason than that we are Japanese. As for the question of Japanese immigration into the United States, while we resent strongly the discriminatory treatment to which Japanese are subjected, it is after all a question for the solution of which we consider it best to appeal to your sense of justice. Very recently, when an anti-Japanese movement arose in Arizona we relied for the settlement of the affair entirely upon the sense of justice and fair play of Americans. We do not wish to send our immigrants to any country where they are not desired. While we believe that the American law for the restriction of immigration is decidedly unfair to us, we are not disposed to demand the entry of Japanese into the United States against the wishes of the American people.

The path of our expansion lies, then, naturally in the direction of Manchuria, which is contiguous to Chosen. It was because of our concern for the peace of East Asia no less than because of our conviction that our only path of progress lay on the continent of Asia that at the time of the Manchurian incident our nation rose



spontaneously as one man to grapple with the situation. The Manchurian affair was really a life-or-death struggle for Japan.

## IV

Let us turn to Japan's industry. It is a fact that of late our industries have developed notably and that our country is being fast industrialized. In this connection I should like to call your attention to two points — first, that the industrialization of our country will contribute to the solution of our population problem, and secondly, that our industrial and commercial expansion has brought in its wake many serious international problems.

Westerners are in the habit of gauging the culture or civilization of a nation by its standard of living, and of vaunting their generous desire to bring the other peoples of the world up to their level of enlightenment. That is in a way true. Now we Japanese are doing our best to elevate our standard of living, which is not quite so high as that of some Occidental peoples. And it is to that end that we are developing our industry and commerce, which is practically the only way to increase our national wealth since our country is so poor in natural resources. We reorganized and improved our commercial and industrial methods. We worked patiently and tirelessly until we were in a position to compete in the world market with other advanced nations. However, we at once encountered a stupendous obstacle in the form of a boycott in China, the biggest market for our merchandise. When on February 24, 1933, the Assembly of the League of Nations adopted a report which declared that the Chinese boycott subsequent to the Manchurian incident was a legitimate means of reprisal in the light of international law, China was virtually closed to Japanese trade. There are those who accuse Japan of attempting to close China to other Powers, but as a matter of fact it was Japan who was shut out of China. We were forced to seek the outlet for our merchandise elsewhere. The flow of Japanese goods into various quarters of the globe was, though largely due to quality and price, traceable in part to the anti Japanese agitation in China.

Great Britain and other Powers then began to adopt the quota system and other measures for preventing the importation of Japanese goods into their territories, despite Japan's protest that such action was a violation of commercial treaties. In view of the fact that Japanese articles, because of their good quality and cheapness, are welcomed by a large majority of the consumers in

every country, and are in especial demand amongst the native populace of the European colonies in Asia and Africa, one cannot but conclude that the home governments are sacrificing the interests of large numbers of consumers in order to protect a few producers. It is questionable, however, whether a country can ultimately succeed in an attempt to protect its industries by artificial devices for the exclusion of foreign goods, without endeavoring either to improve its industrial organization and technique or to increase the efficiency of its workers. Accordingly, I doubt very much if the prevailing economic nationalism, inaugurated by the European Powers, can continue indefinitely. At any rate, it is a regrettable fact that they are erecting various trade barriers to obstruct the free interchange of goods, and thus handicapping the cause of human happiness and progress. I believe that freedom of trade is essential for the promotion of the mutual interests and well-being of the nations. I hope, therefore, that all the Powers, casting aside shortsighted policies, will put international trade back upon the normal basis where it ministers to the wants of each and where it furthers mutual prosperity.

However, to return to my first point, the promotion of Japan's foreign trade is closely knit up with her international relations inasmuch as it directly implies the expansion of her industries. This in its turn advances Japan's culture and civilization by raising the standard of living, and offers an effective means of solving her population problem.

The world is moving forward constantly. But we cannot shut our eyes to the fact that the backward nations are moving at a much faster rate, in order to catch up with the more advanced nations in culture and civilization. Thus the Asiatic nations, now wide awake, are struggling to approach the level of European and American nations. It is necessary, then, in the interests of world peace and harmony, that the advancing nations be given adequate spheres of activity and expansion. Japan, which is forging ahead at a very rapid pace, is surely one of those nations.

## V

Let us now examine Japan's environment.

Our relations with China date far back in history. Even during the period of isolation under the Tokugawa régime we continued to have friendly intercourse with China. But when early in the last decade of the nineteenth century she adopted an aggressive

policy toward Korea, and threatened the peace of the Far East, we fought her (1894-95) and drove out Chinese influence from the peninsula. Following the Sino Japanese War, China concluded a secret treaty with Russia, by which the latter was given the right to construct the Chinese Eastern Railway in Manchuria in return for a promise to come to China's aid in case of another war with Japan. Once entrenched in Manchuria, Russia launched out upon the conquest of the Far East. We fought her in 1904-5, and drove out Russian influence from South Manchuria.

In 1912 the Manchu Dynasty fell, and China became a republic. It was Sun Yat-sen himself, father of the Chinese Revolution and founder of the Kuomintang Party, who preached the doctrine of so-called "Great Asianism," urging the coöperation of Japan and China and declaring that China should abandon Manchuria as being the most likely source of Sino-Japanese friction. And it was the Canton Government, set up by Sun Yat-sen, which sent the expeditionary force under Chiang Kai shek to the north and succeeded in establishing the present Nanking régime. But after the death of Sun Yat-sen the leaders of the Kuomintang, and later the authorities of the Nanking Government, adopted the ruthless anti-foreign policy called "revolutionary diplomacy." They attempted to check the Powers by playing off one against another. Hoisting the banners of "anti-imperialism" and "abrogation of unequal treaties," they clamored for the abolition of extraterritoriality, the return of foreign concessions at various ports, the cancellation of the Boxer Indemnities, etc. Now earlier, at the Washington Conference, we had made concessions to China which few other Great Powers similarly situated would have made. We had done this out of our growing sympathy with China and in the hope that after achieving unity and setting her house in order at an early date, she would redeem the various obligations which she had undertaken at that conference. It was such sanguine hopes and liberal beliefs which caused us to sign the Washington treaties regarding both the navy and China. These hopes were dashed by subsequent events. China failed to meet her obligations under the Washington Treaty. Indeed, our conciliatory attitude only served to increase her arrogance. In particular, our position in Manchuria became more and more precarious. There accumulated between Japan and China more than three hundred unsolved questions. It was in this tense atmosphere that the Manchurian incident occurred in 1931.

The split between China and Japan caused by the Manchurian incident lasted for some time. But of late the leaders of both the Chinese Government and the Kuomintang, realizing the folly of persisting in their antagonism toward Japan, and understanding better her real intentions, have been assuming a friendly attitude in harmony with the spirit of Sun Yat-sen's teachings. As a result, it seems to me, Sino-Japanese relations are now on the way to being restored to a normal basis. At the time of the Manchurian incident there were many critics in other countries, especially in yours, who severely censured our action. But now that Sino-Japanese relations are taking such a favorable turn European and American fears seem to have been groundless.

However, China has still to reckon with the communists who have their strongholds in Szechuan and Kueichow. These are establishing contacts with their comrades in Sinkiang, across the Province of Chinghai which is practically a no-man's land. And there is the southwestern party which maintains an independent régime in Canton, and refuses to take orders from the Nanking Government. Such a state of disunity is directly or indirectly a source of concern to us.

## VI

The Soviet Union is another neighbor of ours. The aggressive policy of the Tsarist Government brought on the Russo-Japanese War, as the result of which Russia was forced to withdraw from South Manchuria. The government of the Soviet Union was reported to have made a declaration in 1919 to the effect that it would abandon all the old Russian concessions in China; but it retained its rights in the Chinese Eastern Railway and held North Manchuria securely as its sphere of influence until the establishment of Manchukuo in 1931. Since then Moscow seems to have found it necessary to retire. However, in Outer Mongolia and in Sinkiang the Soviet Union has consolidated its position. Although by the Sino-Soviet treaty of 1924 the Soviet Union recognized Outer Mongolia as an integral part of the Republic of China, Moscow had previously (in 1921) signed a separate treaty with "The People's Government of Mongolia," recognizing it to be "the sole lawful government of Mongolia," and the two Governments later exchanged plenipotentiary representatives. Today Outer Mongolia is virtually a Russian protectorate administered under a Soviet system. The present head of Sinkiang Province,

Sheng Shih tsai by name, is dependent on Russian support and the province is completely under Moscow's domination

The aim of the Soviet Union is to bring about a world revolution and set up a proletarian dictatorship everywhere. The Soviet leaders have persistently worked to achieve their objective, though with varying intensity. For some years the communist movement in China was widespread, and until very recently held Kiangsi and several other provinces in its grip. When the Union of Socialist Republics of China was established, with its seat of government at Suichin, the pamphleteers in Russia urged an alliance of the two Soviet unions of Russia and China. And they raged furiously over the advent of Manchukuo because it shattered a convenient link for that projected alliance.

#### VII

The policies and internal situations of China and Soviet Russia being what they are, these two great and close neighbors of Japan affect us both directly and indirectly. We once had to fight China, and then we had to fight Russia, at a great sacrifice of blood and treasure, for the preservation of the peace of East Asia. The peace of East Asia would not have been maintained, nor would the rights and interests of the Powers there have been secured, if Japan had not played the part of a watchdog. On the peace of East Asia hangs the fate of our nation. Other Powers may have important interests there, but these interests at most concern only their commercial prosperity, whereas the interests which we have are vital. I doubt if you have anywhere outside your borders interests so vital to you as those which we have in East Asia are to us. But supposing we did interfere in some question involving your vital interests, how would you feel about us? Our concern over affairs in East Asia is surely far more profound than any you ever have felt over questions touching your neighboring states. That is why we cherish so earnestly, and are ready to guard at any price, the peace of East Asia.

#### VIII

I feel I cannot leave the naval question out of any general discussion of Japan's problems.

The preliminary naval conversations opened in June of last year were adjourned in December, and the results are now being carefully considered by the respective governments concerned,

with a view, no doubt, to paving the way to a formal conference in the near future. Those conversations served a useful purpose in that they clarified the viewpoints of the three major naval Powers as to their respective requirements, policies and intentions. Viewed in that light, the London parley was not a failure but a success, for naval accord is possible only when each of the interested Powers knows where and how the others stand. Since the findings at London are now being weighed by the three governments it would be inappropriate for me to go too far in detail into the subject at this time.

I was present as Japan's chief delegate at the London Naval Conference of 1930. The difficulties which that conference had to face at the outset were many, including not a few that seemed well-nigh insurmountable. I need not touch here upon the difficulties experienced by the delegates of the other Powers, but shall confine myself to our own problems.

To Japan, the most important question was whether or not the naval ratio of 5-5-3, which as you all know had been adopted at the Washington Conference of 1922 for the American, British and Japanese capital ships and aircraft carriers respectively, should be extended to cruisers, destroyers, and submarines. Japan took the stand that the same ratio should not be applied to auxiliary craft, and we submitted an alternative plan. Other Powers failed to agree to this plan on certain important points. It became obvious that our insistence upon our own formula would wreck the conference. We thought the consequences of a failure would be most unfortunate to all, and therefore, taking a larger view of things, we accepted, though reluctantly, a basis of deliberation that would lead the conference to success instead of failure. When I signed the resultant agreement on April 22, 1930, I issued a written statement, in my official capacity as Japan's chief delegate, in which I made it clear that the agreement was not to serve as a precedent in any subsequent naval conference. I stated plainly my hope and expectation that at the next conference, which was to meet within five years, the Powers would reconsider the whole question of ratio on a new basis. In spite of the unequivocal reservation which we made, it was, I must confess, an ungrateful task for us to sign the London Naval Treaty. We did sign it in the hope that it might materially contribute towards international harmony and particularly towards our friendly relations with the United States. However, as the years

passed, the popular dissatisfaction in Japan with the London Conference and the London Naval Treaty grew in intensity, and manifested itself in one way or another upon various occasions.

Today there still remain a number of pending naval issues between Japan, Great Britain and the United States. As has been officially stated more than once, our proposition is that each Power should maintain such a navy as will not menace other Powers — a navy insufficient for attack but adequate for defense — and that the armament should be reduced to the very minimum required for defensive purposes so as to lighten the tax burden of the peoples concerned.

A fundamental point in the naval problem, and one which I think Americans should bear in mind above all others, is that neither Japan nor any other Power on earth can effectively attack or invade their vast continent. Occasionally I read press dispatches from Washington reporting military and naval appropriations amounting to hundreds of millions of dollars. Of course that is an internal question for your country with which no foreigner should interfere. But you should keep in mind one thing, namely, that you are in a position in which no nation can attack you either from the Pacific or from the Atlantic, either from the air or from the sea. No naval Power can ever blockade you. The mere size of your territory and population, the magnitude of your wealth and resources, stand as an effective warning against any possible contemplation of foreign aggression.

In this respect Japan is the very opposite of America. From the standpoints of geographical position, topography, and size of territory and resources, as well as because of other circumstances, our country is not secure from external menace. We keep our navy for the sole purpose of defending our land. We harbor no aggressive designs against others, nor do we even contemplate sending our fleets near the waters of another country. We do not believe that a foreign Power should possess a navy capable of menacing another country.

## IX

Following the Great War the nations, eager to secure a permanent peace and to dispense with the old world order which was based on the balance of power and under which one alliance was pitted against another, brought into being the League of Nations. The war-weary nations of Europe and all the other

peoples rejoiced in the hope and belief that peace — a permanent and universal peace — had dawned upon the ruin left by the war. At the Washington Conference, held shortly thereafter, we made all possible concessions and signed the treaties concerning China, expecting that that country would forthwith set to work to restore order and achieve unity. We also signed the naval treaty which was to prevent a needless naval competition among the sea Powers. And subsequently for some years our government pursued a policy of drastic retrenchment not only on naval but also on military expenditure.

But the glowing hopes we had entertained for the new world order began to fade. In Europe the frail structure of international relations founded upon the various peace treaties quickly broke down. The entire continent has long been plunged into a precarious state of instability and unrest. In the Far East, China not only failed to redeem the obligations and commitments she had made at the Washington Conference but embarked upon a campaign for the recovery of certain rights and interests and for the expulsion of foreign influence from within her borders. The Soviet Union had consolidated her position in East Asia, especially in Outer Mongolia, and at the same time expanded her military strength. Meanwhile, ever since the conclusion of the London Naval Treaty, which complicated and beclouded the naval situation, Japan had been seized with a growing feeling of uneasiness and discontent. Finally, there occurred the Manchurian incident, followed by the establishment of Manchukuo.

If we look on the brighter side, we see that very recently there have been signs that things are taking a turn for the better in our part of the world. Manchukuo has made rapid and healthy progress in all directions. Sino-Japanese relations are fast being restored to normal. The amicable settlement of the North Manchuria Railway question has served to relieve the tension between Japan and the Soviet Union, so that we may hope for a wholehearted tripartite coöperation and collaboration in the Manchurian region between Japan, Manchukuo and the Soviet Union. We are doing our best to promote these new hopeful tendencies in East Asia.

# X

Finally, let us consider Japanese-American relations. From the very beginning of our intercourse some eighty years ago when



Commodore Perry first arrived in Japan, our two countries have remained on the friendliest terms. These became most warm and enthusiastic during the years of the Russo-Japanese War. But as Japan began to grow in power and prestige, somehow the United States began to show signs of apprehension. There arose between the two countries vexatious questions — the California question, the Chinese question, the Manchuria question, the naval question — which from time to time caused considerable irritation on both sides. Today there are still many questions pending. But they are all such as can be solved through diplomatic means. Certainly there are no pending issues that might possibly jeopardize our essentially friendly relations.

I believe that Americans will soon come to comprehend correctly the Manchurian question, and to appreciate fully Japan's position in East Asia. When you know exactly our position and our aspirations in East Asia you will readily understand our attitude and claims concerning the Chinese and the naval questions. I am confident that the sense of justice and fair play of Americans will in the end solve satisfactorily the immigration question. In the field of trade, I do not anticipate that we shall encounter any troublesome questions with your country such as we have with some other countries. Even if there should arise any difficulties, we surely should be able to adjust them amicably. If each of our two countries understands the other's position and aims and endeavors to promote peace and harmony by taking always a broad view, all the questions between us will be easily settled, and our friendship will grow more cordial than ever.

Japan is faced with many problems. Our path of progress is strewn with difficulties. But all we ask of the other nations is that they acquire a correct comprehension of our position and aims in East Asia. We do not care to meddle with the affairs of Europe or America. We are concentrating our efforts upon the stabilization of the situation in East Asia, as a nation with vital interests there. We have no intention to menace or attack our neighbor states, but on the contrary are endeavoring to carry out with them all a pacific policy based upon the principle of live and let live. Such are the obligations, as they are the aims, of Japan in East Asia.

# CIVILIZATION ON TRIAL

*By H. G. Wells*

THE game of international politics impresses a lot of common men like myself as being based on false premises. In the issue of *FOREIGN AFFAIRS* for April, I read an article which talks about "France" and the objectives of "Japan," and the purposes of "Russia," and what "Germany" intends to do. I have never been able to get over a certain skepticism about these matters. I can't succeed in translating nationalities into personalities. I can't make myself think of Japan as an individual who is plotting against Russia and who is preparing to form an alliance with Germany which would threaten Anglo-Saxon interests.

That sort of thing seems to me a romantic simplification of what is really happening in human affairs, and I think it leads to disastrous results. These might be avoided if we were more liberal and honest, if when we say, "Japan is going to do so-and-so," we said further, "What exactly is this Japan that is going to do so-and-so?" Japan is a vast country. The Japanese people have got certain foreign relationships, which they carry on through something which they call the Japanese Foreign Office. How long will it and its policies last? How far can we really believe that there is some simple thing called Japan which is malignant and patriotic and about to make an alliance with Germany?

And what is Germany, really? A mass of troubled persons who speak the German language and who are, I should think, in perhaps the most tragic position of any mass of intelligent people in the world. They have either got to repudiate their country or they have got to endure a grotesque sort of caricature of government by misrepresentation. Our foreign offices are going to deal with Germany as though it were an individual entity. But as a civilized man I continually try to see whether there is not a way of dealing with the civilized man in Germany and getting past that extraordinarily ugly Nazi mask which he has to wear because the alternative to the wearing of it would have meant submission to some foreign influence as dishonoring and even more humiliating.

Is there not a possibility that in the future we can get away from the idea that human affairs are necessarily shaped and con-

trolled in foreign offices and embodied in what are called foreign policies? Is there not a broader, more general pattern of human civilization which we might possibly emphasize and bring into fuller operation than it is at this present time, in order to prevent this idiotic and unnecessary game of national antagonisms from culminating in war and possibly the destruction of civilization?

I was enormously impressed during my visit to the United States this past spring by the fact that because you Americans have too many natural resources you have not got a paradise. You have got millions of people with hands and brains idle, and you don't know what to do with them. At a rough guess, there are between three and four million young people in the United States who have no jobs, no compelling interest in life at all. You ask them to work short hours or no hours at all, and to live on a dole. They think that they would be better off if they were dead. In England we are in the same case. We have got about two million young people, or more, and what have we got to give them? Nothing. What is the Nazi movement in Germany? What is Fascism in Italy? Young men who have nothing to do. Hitler and Mussolini offer them, if nothing else, excitement and possible glory. Japan is coming up against the same problem.

I have no panacea to offer for that problem. It is the greatest problem in the world. Humanity has been accumulating energy at an enormous pace. In addition to manpower, it has brought in mechanical energy to an extraordinary extent. And now it doesn't know what to do with that surplus energy. Because it deals as it does with human relationships it cannot cash in on the surplus that it has achieved.

The surplus of energy which has accumulated in human affairs for several thousand years has been partially expended in building up the standards of life. But the most natural method of relief has been war. War is a kind of excretion of the human social body. The energy accumulates — and human intelligence is not adequate to the problem of how to utilize it. So it has to get rid of it again. The chief corrective has been war.

No country goes to war because it is poor, no country goes to war because it is weak and unhappy. A country goes to war because it is full of vigor, because it has a great mass of unemployed people because it has materials at hand. War is an excretory product, and until the world discovers some other means of using its surplus energy wars will go on.

The dogmatic doctrine known as communism offers no solution. Karl Marx misunderstood and perverted the philosophy of Robert Owen and the other idealistic socialists who looked for social betterment through collective action. Marx's theory of the inevitability of class warfare is one of the most pernicious things that ever happened to humanity. It is as bad as the idea of the inevitability of conflict between nations.

You Americans perhaps think that if Europe collapses into war you will be able to keep out of it. Many others, in England and elsewhere, have that same idea — to keep out of it. But I doubt that they can. The next war, if it spreads, and I think it is likely to spread, is going to mean the destruction of human civilization as we understand it.

Probably the greatest single body of mentality, so to speak, in the world today is the English-speaking community. I suppose that in the English-speaking community there are more people who read and write and talk than there are in any other community of thought in the world. Part of that community is in the United States, part is in Britain, and smaller parts are scattered about in Canada, South Africa, Australia and so forth. It seems to me a most lamentable and astonishing thing that behind our common language we have not got a common idea of what we are going to attempt to do with the world in the years ahead.

It is obvious that we are going to be tried out, and in a most extraordinary fashion. We are not ready for it. We have allowed foreign offices with their technical points and legal definitions to delude us into the idea that here is an American community, there is a British community. And British bad manners and American suspicions have helped in keeping us apart. Is it not still possible for the English and the Americans to get a little closer together, to conceive some sort of common purpose, and to bring their common traditions into effective action in time to save the civilization of the world? Or shall we wait until, divided against ourselves, destruction comes upon the world through a general collapse into war?

In every community in the world there is a state of stress because of an extraordinary change from the insufficient productivity which ruled social life in the past to the present excessive productivity. In economics we speak of this as the economy of plenty replacing the economy of want. You in America have to work out that problem. All the world has to work out that problem.

Is it not possible for the English speaking communities to begin getting together upon the answers to some of the financial riddles, the economic riddles and the political riddles that paralyze us?

President Roosevelt told me when I saw him in Washington about something that has been happening on the border between the United States and Canada. At the eastern end of the border there has been a good deal of smuggling along the old side roads, where it is easy for a truck or lorry to slip from one country into the other. To meet this situation the American Government started an air patrol to watch these back roads, and the Canadians were going to start another, when some bright spirit, I don't know who it was, said, 'Why have two services?' And what is happening now on the Canadian United States border is that there is an air service which is looking for smugglers, and in the aeroplane sit a Canadian policeman and an American policeman, and that aeroplane can come down on either side of the border and make an arrest in the interest of Canada or in the interest of the United States.

Suppose someone saw the opportunity for this sort of thing on a larger scale. Suppose someone saw the possibility of having the United States fleet in the Pacific and the British fleet in the Atlantic, instead of having a British fleet in the Pacific and an American fleet in the Pacific, and a British fleet in the Atlantic and an American fleet in the Atlantic. Is it impossible? What makes it impossible? What divergence of purpose stands in the way?

Unless men can get outside their national limitations, and unless they can tackle economic and financial and monetary problems with something bigger than their national equipment, I think it is not a question of centuries but of decades before we see our civilization going down. And it will not be for the first time.

The problem is to make peace successful. If peace is not successful if war intervenes, it will be due entirely to the fact that under existing conditions we are not able to utilize our surplus energy, to employ our idle hands, in any other way to make life satisfactory and interesting. Failing the release of energy that would come from making peace successful, we will collapse into war. The way to get rid of war is not by leagues. The energies for war go on accumulating just the same.

The only thing to do is to invent a successful form of peace. That means a new sort of life for human beings. The choice before

us is war or a new world — a rational liberal collectivist world with an ever rising standard of life and an ever bolder collective enterprise, in science, in art, in every department of living. Because so far we have not shown the intellectual power and vigor to take the higher, more difficult way, because we have not had sense enough to discover what to do with our accumulation of social energy, is why at the present time we are drifting and sliding back towards destruction. If humanity fails, it will fail for the lack of organized mental effort and for no other reason.

# "THE OPEN DOOR AT HOME"

*By Herbert Feis*

THE OPEN DOOR AT HOME By CHARLES A BEARD New York Mac millan, 1934, 331 p

GREAT history quite properly dwells in the high hills, and if amid the colorful mists which surround those hills there are any such things as green blotters they must be very dull and insignificant objects. But when the historian sends forth his book to exert influence in the lower contemporary world, and it arrives, for reading and for rest, upon one of these green blotters — of the standard size and color supplied to all Government desks — the proportions are reversed. Even opened wide it covers only a quarter of the green oblong, and the fresh and smooth surface of its hill born generalizations are in striking contrast with the blotter's worn and detail-scarred face. What would become of the fresh and smooth surface if it should stay in the world of blotters? This is the thought that comes naturally to anyone living in that world.

I shall heed the prompting and restrictions of time and circumstance, choose the reflections which arise most naturally out of the last working day, and limit myself to one (and not the most effective) element of Professor Beard's analysis. I shall deal with its economic element and even more narrowly with the peacetime aspects of that, though I recognize that to do so ignores a vital part of his presentation.

A white moon peers over the White House lawn. The lights are still burning in the Executive Offices, and the ornamented and lighted dome of the Capitol can be seen at the other end of town. In the morning Congress will meet again and over the doorsteps of those seats of authority will hurry Government officials, reporters, state governors, businessmen, bankers, farm leaders, foreign diplomats and officers of the D A R. The reality resulting from the application of any conceptual policy, I remind myself, will be shaped by the views, the impulses, and the compromises of interest of that throng.

Professor Beard discovers, in a sense, that our country's history has been formed by the self seeking activities and the private ambitions of its inhabitants, and he analyzes with stimulating vigor the arguments by which the main types of private interest

have sought to prove that the expansion and defense of their activities was essential to and identical with the national interest. In this analysis there is a proneness to caricature by emphasis on extreme expressions and particular moments. His appraisal of the outcome puts into the foreground the uncertainties and dangers which have thereby been introduced into our national life. The dominant sense which the analysis gives to the reader is that the activities of private interest have served us badly; that in the search for profit they have led to confused, unguarded and wasteful expansion; that they have drawn us into purposeless conflict, have caused security to vanish, and have linked our destinies too closely with events outside our borders, fostering incidentally a constantly growing and voracious military establishment open to employment in support of purposes not in accord with a true appraisal of our national interest.

As for our relations with the outside world, he entertains no hope of mutually beneficial and peaceful commercial intercourse so long as private interests retain their present freedom and power to influence public policy. The world outside our borders presents itself as dominated by deep hostilities, distracted by a frantic economic competition which commands and brings into play all the forces of imperialism and war, and destined and condemned to disorder. Thus, the expansion of the processes of interchange with the outside world which would be brought about by private interests if left to themselves, cannot be in the main beneficial. Further, the hope of restoring any extensive and self-adjusting interchange between ourselves and the outside world is a dreamlike and dangerous abstraction conceived in ignorance of "the tough web of fact."

His argument and program calls for the subordination of all private interests to the requirements of a unified conception or plan of national interest, the rules, forms, and vital springs of which are to be supplied by technicians. This elevated conception of national interest is to suffer none of the blemishes of a statecraft shaped by the aggregations of private interests; it will not rely on the shuffling, grudging readjustment of those interests, under governmental guidance, to meet the crisis; it will be born of "clarified purpose, predetermined plan, and engineering rationality." Staccato and numbered paragraphs enunciate maxims of statecraft for the new commonwealth. Important among the maxims in the field of economic activity, if not first, is the plea



for the achievement of maximum economic independence as an essential condition for establishing security and stability.

By the application of his maxims Professor Beard would call forth an economic order in which goods would be produced in kinds and quantities that would best satisfy the standard of life which his engineering technicians had computed were within the country's capacity, income would be so distributed and the monetary and banking systems so operated that the flow of funds offered in purchase of each type of goods would keep our people fully employed, American energy and capital would not become active in places and in enterprises where no main national interest was served, our participation in matters outside our borders would be limited to those in which the national interest was established beyond question and which might be defended, if necessary, with certain success, the size and organization of our defense forces would be determined solely by these aims. Such is the program towards which he aspires — all to be achieved, as far as any indication is given in the book, without loss in our national energy, without substantial disturbance of individual freedom, and without sacrifice of political democracy.

Disregarding for the moment whether or not this appraisal of our past history seemed in reasonable balance, and whether or not the interpretation of its shaping forces seemed over-simplified, who would not be attracted by the vision of such a greatly improved national life? Who would not rush on to learn the means by which it is to be achieved? And who would not experience a sense of frustration and disappointment at the dispersed and disorderly elements of actual program which he would find, and when he discovered the remainder of the task passed over, with challenging appeal, to future boards of experts and to "engineering rationale"? (I remind the reader that I am discussing solely the economic phases of the presentation.)

For while those sections of the book which dissect and interpret the interplay of private interests and conceptions of interest in the American past have a compact and determined movement which successfully crushes detail, the later sections given over to program making and to exhortation stumble, as it were, against detail, and then with brave uncertainty proceed upon their course. It is on the very core of the problem with which Professor Beard engages himself — how, by what means, and in what form of state, private interests are best to be brought into

the desired permanent harmony — that the analysis most clearly falters and then stops. Since computations, charts, and graphs are not self-enacting, and since general maxims are not self-imposing, on what actual forces of interest and emotion does Professor Beard rely to put them into effect as drafted by experts and sung by poets? In failing to consider this adequately he fails to confront the question as to what results would arise in reality from the pursuit of his general conceptual bent and broadly sketched program. He escapes the difficulties that would beset those who had to execute his ideas in the world of blotters.

II

Some obvious reflections regarding the basis and general purpose of the proffered program intrude at this point. Would we, could we, even though convinced of the wisdom of this plea for maximum economic independence, refrain from actions which vitally affected the welfare of other countries, and which consequently would involve us in that type of difficulty from which escape is sought? Would we, for example, avoid all actions which affected the value and movements of silver and gold which might disturb the monetary or economic conditions of other countries? Would we impose strict restraint upon the expansion of our privately financed civil aviation companies because such expansion might bring changes in the status of other lands or in their domestic conditions? Would we cease to debate the actions of other countries and refrain from trying to influence their outcome? Would we remain indifferent to fluctuations in their individual fortunes? In short, will any *feasible* compression of our interests and activities serve the author's design of so restricting the interplay of activity between ourselves and the outside world that the maintenance of national stability and security would be more easily attained? Is not this picture of harmony in isolation as far from reality as the picture of harmony attained through ever-extending intercourse, which he so effectively destroys?

Again, what support can be drawn from events in the contemporary outside world for the author's first premise that economic security and stability can be achieved in this country by subordinating and subjecting to the most thoroughgoing governmental control the intercourse of private interests with the outside world? Comparisons, in fact, between the main import of his economic proposals and various contemporary developments sup-

port the opposite conclusion, though the meaning of all such comparisons is greatly blurred by differences in national circumstance. The basis of management of international economic and financial relations which is established in Russia resembles in many respects that which is now proposed. Has it produced stability and security in Russia and fostered a settled state of tranquillity between Russia and the outside world? Germany, partly voluntarily and partly by forced adjustment, has been pushing forward with a program of maximum national economic independence and a directed reorganization of economic forces within the nation in accordance with a heightened conception of national interest. Have stability and security been introduced into its economic life? Bulgaria, compelled to live much more largely to itself than previously, is not reported to be stable or thriving on a national income of \$35 00 per capita. Great Britain, Canada, Australia, Sweden, Norway, Argentina, and others whose economic welfare still remains most closely linked by comparatively unrestrained private trading with the peoples of the outside world seem, however, to be struggling back to economic order and stability.

The diversity of contemporary experience strongly indicates that Professor Beard's analysis of the relationship between international economic intercourse and national condition is one-sided. It gives too much weight to some of the characteristics and consequences of this intercourse and too little to the rest.

International trade, whether conducted by private interest or by governmental agencies, is often a genuine disturbing force and a source of irritation. To the extent that it is highly competitive, fostered or supported too intensively by governmental power, or violently inflated and shrunk as part of a course of boom and collapse, it brings instability and international friction, which it is the duty of government to foresee, guard against, and mitigate. It may be hoped that Professor Beard's demonstration of the importance of these aspects of international trade activity will find its mark upon public and political opinion, so that commercial policy can be framed on lines that minimize them. For those to whom escape into the haze of a general concept of nationally isolated economic transformation seems an inadequate and unsatisfactory disposal of the difficulties, the task remains one of determined effort to have an instructed people support a policy which avoids demonstrable abuses. Must we despair with Professor Beard that such instruction and balance is beyond us?

It is no less essential, however, to appraise correctly the beneficial effects of international trade, and to seek for an expansion of that trade along beneficial lines, instead of further restriction. For this trade has contributed and still contributes to the improvement of economic welfare in many countries, including our own; it often supplies a material interest for keeping the peace and for subordinating more emotional national impulses; it enables people to overcome the natural deficiencies of their own territorial boundaries, and hence to some extent lessens the risks of wars undertaken to conquer new territories (though the restrictions now imposed on international trade make it far less of a reconciling force than it might be).

How to minimize one set of consequences and increase the other to the maximum is, to repeat, the central problem of policy. The question is whether the general bent of the program which Professor Beard puts forward would successfully achieve the results he seeks; or whether a commercial policy based on the assumption that trade with the outside world is a disturbing, destructive traffic, to be borne only to the limits imposed by necessity, would not produce exactly the opposite result. Interests and emotions, as the author himself vividly shows, have a way of turning general conceptions to their own account. Those interests and emotions which have shown themselves most responsive in the past to ideas of economic isolation customarily have in view ends different from the controlled and morally elevated abstention toward which Professor Beard's thought runs.

### III

I pass from these general reflections to a few selected samples of the detailed way in which Professor Beard expounds his program. In doing so I know that the basic soundness of his general thesis cannot be tested in this way, but such a sampling may indicate at least whether we are dealing merely with a general idea or prepossession composed in recoil from the abuses of the past, or whether we are being presented with a balanced program fitted for adaptation by a vigorous and progressive government to tomorrow's need.

Were some Foreign Trade Authority created and empowered to act at once upon the detailed suggestions presented in this book, the first group to beg for further guidance would be the technical staff entrusted with the task of determining the volume

and kinds of imports to be admitted into this country in order to fulfill the standard of life resulting from the experts' calculations of the possible. This technical staff would have to find its way among the diversity of indications thrown out as possible guides. The most precise thing that they would find is a list of seven types of imports, of which I name but four:

- 1 Products which cannot be produced in the United States owing to the absence of suitable ores within its territorial boundaries or to climatic limitations

- 2 Products which cannot be produced in the United States in sufficient quantities

- 3 Products which can be produced in the United States, but not efficiently

- 4 Commodities almost identical with American commodities but offered in special varieties of tastes

The technicians might well be excused for being confused and for concluding either that Professor Beard was not conscious of the extent to which we had already closed our frontiers, or that he visualized a wholly different production system within the United States than now exists, or that he thought that by achieving a change in society we would be able to combine a greater volume of international trade with greater economic independence. I will not venture to interpret.

Certainly the volume of imports that would qualify under these headings would exceed by much the total that we now admit. In all probability the technicians would have to be instructed to regard this venture into detail as merely an incidental exercise. At some points the book recognizes that the pursuit of a policy of maximum national economic independence might mean a lowering of the American standard of life. The labor of the technicians would not leave this as a vague possibility — at least until such time as we should have succeeded in achieving in an orderly way wholesale transfers of our people into new occupations.

Professor Beard states that the primary basis for determining the international trade in which the United States should engage should be our import needs, and in the programmatic detail furnished for the guidance of the Foreign Trade Authority the volume of our exports is to be determined primarily if not solely by the volume of exports necessary to pay for desired imports. In this recognition of the fact that the chief gain from international trade derived by any country whose economic system is in bal

ance lies in securing goods at less cost than they could be produced at home, the argument follows those of John Stuart Mill and of the classical economists (though dissenting from the further conclusion that a widespread international trade should therefore be encouraged). This acceptance of the analysis of the economists, and rejection of the view that sales of American goods in foreign markets should be expanded without reference to our own willingness to receive foreign goods and should be augmented by all the resources of our Treasury and forwarded by all branches of the national power, is a sound basis of guidance for our policy.

Still it may be ventured that the F.T.A. (for by this time the organization would certainly be known by its initials) would have to take serious account of the persistent claims of our present surplus-producing industries. True, these surpluses are not immutable; true, it is wise to refuse to distort national policy gravely in order to dispose of them; true, and vital, the Government should continue the attempt to foresee and take into account such maladjustments as we may face through the reduction of trading opportunity in foreign markets and to facilitate the necessary shifts of population and of work.

But even when today's Government has undertaken all that it can hope satisfactorily to achieve in this direction, the welfare of very large numbers of our people will remain wrapped up with the fate of those industries that must produce largely for foreign markets. These sections of our population are not restricted to those engaged in the work of direct production for foreign purchasers. There are also, and no less ready to throw their political weight into the scales, manifold interlinking interests whose place in our economic life has been based on our traffic with the outside world. I have in mind, for example, the workers and investors in the trunk line railways, the stevedores who handle cargoes, the workers on wharves and switch lines and trucks, and the holders of properties in our numerous port cities. In consideration of the size and diversity of these interests, it is to be expected that our commercial policy, no matter by what agency conducted, will not be determined solely according to a calculation of the imports which we wish, but in part also on the basis of the immediate need for export trade to maintain present employment.

No change in the method of conducting our foreign trade relations will reduce the present significance of this question. How it would manifest itself, were trade taken out of the hands of private

interests and entrusted to some all-powerful governmental Authority, is indicated by an episode of recent date. Newspaper readers will remember that circles particularly interested in income from cotton production urged that American industrial exports should be banned or restricted, and that foreign purchasing power should be reserved primarily for those who had cotton for sale. A governmental Authority that took upon itself the task of determining in detail exactly what our trade interchange with the rest of the world ought to be, would, I suspect, find the principles which might serve Professor Beard's aims quickly superseded by those that served the diversity of existing American interests. It would be apt to find that it had transferred to its own desk much of the underlying conflict of interests which now works itself out in the everyday operations of the marketplace.

Those whose present occupations are connected with our export trade would inevitably advocate that any program for restricting that trade should not proceed faster than new ways of living were created, rather than that they should be displaced now in anticipation of future satisfactory adjustments. They might even be expected to hold the view that the most satisfactory means of adjustment would be a lessening of those restrictions which are now imposed upon our international trade, and that this would be easier to achieve than the other alternative types of adjustment, and would bring advantage not only to them but to the whole nation. Furthermore, that judgment may be held by those who feel just as deeply as does Professor Beard the stupidity of our committing ourselves to a program of reckless, one sided, competitive expansion throughout the world supported by all the forces of national power and diplomacy, and without exposing our national destiny to grave risks of unmanageable disturbance from the outside.

In the making of policy, due account should be taken of the abuses and frictions which competition in international trade have created and the disturbing adjustments which they have forced. We should be on our guard against them with the utmost determination. But they should not crowd out of the field of judgment the immense international trade that moves smoothly and advantageously, on the basis of scores of commercial agreements, and that links world interests together in a peaceful way. The main effort and wish of governments is to increase that trade and compose such differences and disturbances as arise. It is true that

national policies are often forced out of the path of true advantage by the pressure of particular private interests. But so long as trade remains primarily a private transaction there at least does not have to be an identification between each transaction and the power urge of the nation. If that trade is brought completely under the wing of the state, the identity is established. The operations of the trading state might escape somewhat the imprint of special interests within its borders; but they certainly would receive instead a deeper imprint from the play of power politics.

One more sample of detail and I am through (tempting though it is to try to trace some of the elaborate administrative ramifications that would grow out of the proposed program). Professor Beard remarks incidentally that if our international trade relations were handled as he suggests, "newer methods" might be available to collect the inter-governmental debts now owed to the United States. Three of the suggested newer methods are particularly puzzling.

1. The debts, it is mentioned, might be employed for the development of raw material supplies in foreign countries. Would the Foreign Trade Authority undertake to acquire sugar plantations in Cuba, tungsten and antimony mines in China, rubber estates in Oceania? Would Government ownership of such distant properties be free from the complications that similar past ventures of private interests have produced?

2. Part of the debt payments, it is suggested, might be utilized in the scheme for the establishment of a stable international monetary system separate from the national monetary system. Does this mean that American opinion would be satisfied to have part of the amount due this Government turned over to the Bank for International Settlements on the condition that the American Treasury should have no relations with that institution?

3. Part of the proceeds, it is further suggested, might be received in this country in the form of imports for distribution among our needy unemployed. Most useful for this purpose would be such commodities as flour, beef, textiles, shoes. Is it expected that Congress will authorize the importation, or does the suggestion mean to assume a wholly reorganized economic society in which the question of competition from abroad will have a wholly different aspect from that which it has at present?

I draw forth such minor details of Professor Beard's exposition



to indicate the view that some of the promises, flickering here and there in his pages, regarding immediate solutions for various international economic questions which now torment American life must be taken to be only advance promises of a future state, not possibilities open to men now in office — advance promises, by the way, colored by precisely the same touching hope that men of one country may be able to sustain reasonable intercourse with men of other countries which elsewhere in the volume is dismissed so decidedly

## IV

It may be thought by some who have read the book that all this querying about detail, this demonstration of ambiguities and complexities, these hints of unexpected difficulties and consequences, arise from a misunderstanding of the true nature of the author's effort. It may be said that the book was designed to be "future regarding," to change the content of all future papers, and to modify the nature of all the wills and interests that express themselves therein, in short, that the author was out to shape future time, place and circumstance, and not to deal with the question of what existing time, place and circumstance would make of his general conception were it immediately applied.

Maybe so. But what is novel in the book is not the general aspirations to which it gives expression — those have long been widely shared — but rather the actual bent of policy and program therein put forward as a means of fulfilling them. The fact that Professor Beard shares those aspirations only increases the duty which we have of examining with the utmost care the actual measures outlined as a means of satisfying them. How else know whether in practice the pursuit of the policy which he advocates might or might not annul the very basic aspirations which he sets out to serve? It is with actual circumstances, proposed ways and means, laws and measures, attempts and consequences, that economists and office holders must reckon, and not alone with aspirations. Hence the warrant for this questioning.

To avoid or curtail the mistakes of the past is important. The Government should foster only that international trade which can be peacefully conducted and kept in balance without too great a strain. Its support should take the form of voluntary agreements based on a mutual advantage which other countries recognize. In the case of materials vital for successful national

defense, the Government should assure that we shall be self-sufficient under all circumstances that might arise. Export of essential materials present in our territories in limited and exhaustible degree might wisely be made the subject of governmental concern. Foreign debtors should be called upon to make only that reasonably determined effort that can be expected of any party to a voluntary loan transaction — and to do this in recognition of the honorable obligation they have contracted and the advantages they have obtained from our financial help. Many difficult situations in this latter field are being slowly adjusted, or lie open for future adjustment without any thought to the possible employment of armed force. American enterprise should be accorded protection abroad solely in accordance with an appraisal of national interest. Such protection should remain within the bounds of customary peaceful international usage; the fate of the enterprises in question must rest primarily upon recognition by other peoples that they serve their own development. The total outward expansion of American capital must not again recklessly assume such dimensions as will make the discharge of it a critical problem in national adjustment. The acquisition of distant territories on the wings of expansionist impulses must be avoided.

On these and other points in a sound international economic program I think that agreement can be won today within our country, and made into the controlling precepts of national policy. But Professor Beard would have us go far beyond such rules. He would have us retreat into a much more restricted and supervised type of economic nationalism, which he would in turn make into a newer and better type of nationalism. I cannot judge of the results of his program were it to be put into practice in a successfully operating economic system totally different from our present one — a system in which the place and position of private economic initiative and interest would be fundamentally changed or superseded. But there are compelling reasons to believe that, in the actual economic conditions of today, the pursuit of the policy which he advocates would produce not a newer and better type of nationalism but one given over even more to excitement and hostility, one more easily led in a direction contrary to his own intentions.

# CORPORATE STATE AND N.R.A.

*By Giuseppe Bottai*

FOR over two years the people of the United States have been collaborating with President Roosevelt in his effort to solve American economic and social difficulties. They are aware that the President is concerned not with immediate economic reconstruction only, but with lasting social and economic reform as well. This is why I believe that the American people are in a particularly favorable position to understand the efforts of Premier Mussolini to solve urgent economic problems in Italy and to establish at the same time a new and improved social and economic system.

Fascism came to power in Italy in a moment of profound and violent friction between capital and labor. The conflict threatened not only the country's economic stability but also its political stability. Radical organizations, especially those of the socialists, had obtained a strong hold over the laboring classes and were beginning to give the struggle for economic advancement a decidedly political turn. In addition to the serious economic losses caused by an ever increasing number of strikes and lock outs, there was imminent danger of a complete transformation of the political bases of the whole structure of the Italian state. It was primarily to meet and deal with this danger that the fascist movement arose.

## 11

Anyone familiar with the history of Europe knows that the associative tendency in human nature has been influenced by two fundamentally opposite forces. There is on the one hand a tendency to combine with other men of similar occupation, either for purposes of protection or achievement. But on the other there is a tendency toward emancipation from these occupational groups and consequently toward individual freedom (as when the French Revolution overthrew the mediæval corporations and proclaimed the freedom of labor).

But the new freedom could not thrive within the narrow geographical limits of European countries. Even today there is an enormous difference between the flexible political and social structure of the United States, a country of vast open spaces, and the

comparative rigidity of the political and social framework of Europe. The difference lies in the possibility of economic initiative offered to men by the territory which is America and the territory which is Europe. In the United States, social conflicts have arisen primarily from questions of *production*. Americans have always sought guarantees for individual economic initiative. In Europe, social conflicts have for centuries revolved around the question of the *distribution* of wealth. Europeans, confined in limited territories, have found rigid organization by occupation or economic groups a valuable means of solving the problems involved in the distribution of wages and profits.

The difference in the two historical processes has been acutely expressed by President Roosevelt in his book "Looking Forward":

The growth of the national governments of Europe was a struggle for the development of a centralized force in the nation, strong enough to impose peace upon ruling barons. In many instances the victory of the central government, the creation of a strong central government, was a haven of refuge to the individual. The people preferred the great master far away to the exploitation and cruelty of the smaller master near at hand.

But the creators of national government were perforce ruthless men. They were often cruel in their methods, though they did strive steadily toward something that society needed and very much wanted — a strong central State, able to keep the peace, to stamp out civil war, to put the unruly nobleman in his place and to permit the bulk of individuals to live safely.

The man of ruthless force had his place in developing a pioneer country, just as he did in fixing the power of the central government in the development of the nations. Society paid him well for his services toward its development. When the development among the nations of Europe, however, had been completed, ambition and ruthlessness, having served its term, tended to overstep the mark.

There now came a growing feeling that government was conducted for the benefit of the few who thrived unduly at the expense of all. The people sought a balancing — a limiting force. Gradually there came through town councils, trade guilds, national parliaments, by constitutions and popular participation and control, limitations on arbitrary power.

After reminding the reader of the decisive duel between Jefferson and Hamilton, between centralism and individualism, President Roosevelt finds in the economic conditions peculiar to the United States the causes for the victory and subsequent development of American economic and political individualism. He continues:

So began, in American political life, the new day, the day of the individual against the system, the day in which individualism was made the great watch-

word in American life. The happiest of economic conditions made that day long and splendid. On the Western frontier land was substantially free. No one who did not shirk the task of earning a living was entirely without opportunity to do so. Depressions could, and did, come and go, but they could not alter the fundamental fact that most of the people lived partly by selling their labor and partly by extracting their livelihood from the soil, so that starvation and dislocation were practically impossible. At the very worst there was always the possibility of climbing into a covered wagon and moving West, where the untilled prairies afforded a haven for men to whom the East did not provide a place.

The social consequences of this environmental difference are reflected in the attitude of the two peoples toward the state. The American citizen has always lived at a distance from his government and instinctively holds aloof from it. The European, by contrast, has always viewed the state as the source of power, security and right. On every institution that the European creates he instinctively desires the seal of state approval. It is demanded by his temperament, his conception of the state's function, his age-old tradition of discipline. This is the historical setting in which Italian corporativism must be interpreted.

In accordance with the dictates of nature on the two continents, the prevailing social trend in the United States has been toward a grouping with a view to production, e. g., trusts, with all the familiar consequences of struggle between vertical blocks, while in Europe the trend has been toward a grouping with a view to the distribution of wealth. Consequently in Europe there has been a separation of the principal elements in production, capital and labor, into two hostile social strata, and a resulting horizontal struggle of classes.

It was only natural, then, that when the wastage of energies in class conflict increased in the period after the war, social reconstruction should have started in Italy with an attempt to reconcile capital and labor in the interests of the nation as a whole, and that we should then proceed, on the basis of that reconciliation, to a new economic organization in a corporative form. And it was just as natural that, in similar circumstances, the United States should have begun by establishing "codes of fair competition" between producers in a given branch of industry, including in those codes definite provisions for regulating the relations between labor and employer organizations and the conditions of work (section 7a of the N. R. A.), and establishing a new form of coöperation amounting almost to a system of self government in industry. The two tendencies may be described in terms which

show the difference in method but the similarity in substance — in Italy, "coöperation of classes;" in the United States, "coöperation in industry."

### III

Many of the fundamental principles on which the economic solution gradually evolved by fascism was to rest are to be found in the laws of April 3, 1926, concerning legal control over labor and production, and in the "Charter of Labor" published April 21, 1927.

The first of these laws contained several fundamental provisions: 1. Full legal recognition by the state of those associations of employers, workers, professional men and artists which are designed to safeguard the interests of their members and which are in a position to sign contracts binding upon those members. 2. Equality before the law of employer organizations and labor unions. 3. The establishment of labor courts with power to settle labor disputes affecting either individuals or groups. 4. The prohibition, with penalties, of strikes and lockouts.

In application of the first principle, fascism decided to establish within every major occupational group one legally recognized syndical organization. Each of these syndicates was given prerogatives. It had exclusive supervision over the interests of the whole occupational group in question, and was made its official mouthpiece. It had the exclusive right to regulate, by collective contracts, the labor relationships of all members of that group. It had the right to impose syndical contributions. It had the right to appoint delegates whenever representation was required. And it had the right, accorded at a later date, to recommend to the Grand Council of Fascism candidates for the new Chamber of Deputies.

But before it was legally recognized and vested with these powers the group had to fulfill certain requirements. I shall specify the more important qualifications. A syndicate of wage-earners must have a membership of at least 10 percent of all workers in that occupational group. A syndicate of employers must be composed of members who employ at least 10 percent of the wage-earners in that group. To be recognized, a syndicate must have a social program for the welfare of its members (relief, technical education in the trade or branch of production, and moral and national education). Lastly, a syndicate's officers must be competent, must be of

good moral character, and must be trustworthy in matters of national doctrine

Syndicalism was thus definitely stripped of the last remnants of those anti-national and international political influences which in the past had tended to lead it astray. It was ready to carry on a definite and well defined function within the orbit of the national fascist state

The law of 1926 established the foundations for a rational organization of Italian producers. It divided them into the following groups: agriculture, industry, commerce, credit and insurance, and the professions and arts. At the top of each, with the exception of the last, are two central syndical organizations called "confederations," through which laborers and employers find separate representation. In the field of the professions and the arts there is, naturally, only one confederation. Consequently, heading the Italian syndical structure there are nine national confederations, one representing the laborers and one representing the employers within each of the four fields of agriculture, industry, commerce, and credit and insurance, plus a ninth confederation representing professional men and artists. The numerical strength of these organizations may be indicated by a few statistics. In 1929 there were 4,334,291 Italian employers represented by employers' confederations, 1,193,091 of them actually members of those confederations. In 1933 there were 4,151,794 employers, 1,310,655 of them actually members. As for the laborers, in 1929 there were 8,192,548 workmen represented by four confederations, 3,193,005 of them actually members of those confederations. In 1933 there were 7,019,383 represented workmen, 4,475,256 of them actually members.

A confederation is sub divided into national federations, each of which represents more directly the various kinds of activity that are involved in the given field of production. They are exceedingly numerous.<sup>1</sup>

The confederation in which the various federations participate functions only as coordinator and supervisor in matters which are of common interest to all the federations established within its particular branch of national production. The federations extend their influence over the whole of the national territory through

<sup>1</sup> The farm proprietors and the farm laborers have four federations each. There are 45 federations of industrial proprietors and 29 of industrial workers. 37 of merchants and 5 of commercial employees. 13 for employers in the field of credit and insurance, 4 for clerks. In addition, there are 22 national syndicates for artists and professional men.

local syndicates which are subordinated to them. In this way each and every branch of production in Italy becomes a part of a legally constituted national organization, though individual members of a given occupational group are free to choose whether or not they wish to enrol in the appropriate organization.

With the full support of the great majority of employers and workers, the syndicates have done valuable work in developing the moral and economic interests of the people they represent. Their activity has covered the fields of social assistance, technical and general education, the perfection of methods of production and reducing costs, and the contractual regulation of labor relations. By disposing of the wage question, the syndicates played an important rôle in stabilizing Italian economy on the 90 percent normal basis. Thus within the nine short years since it was initiated in 1926 the syndical system has spontaneously responded to the needs of the Italian people and has fully realized their expectations.

#### IV

But Italian fascism did not confine its program of reform to the abolition of open conflict between economic classes and groups. It was not enough to suppress strikes and lockouts, to give legal personality, and therefore political responsibility, to occupational associations. These steps taken by themselves represented liquidation of the past rather than preparation for the future. They were soon to be carried much further. Fascist syndicalism was to become more than a mere method of organization. It was to become a vital system destined to represent an active force within a new national society.

The fascist state admitted to full citizenship — on a par with such traditional units as the individual, the family and the town — the syndicate, which like the family and town embraces and supplements the individual. Through this new medium the individual can realize the true self-determination which is synonymous with liberty.

The great achievement of fascism, therefore, is to have clarified interests and to have harmonized them with those of the state. The syndicates, far from being exclusive in membership and selfish in outlook, participate in the national well-being and contribute to its vitality and growth. The state would have failed both to protect the citizen and defend itself had it continued to allow



national life to be buried in the ruins of the struggle between worker and employer

Fascism established, as the legal boundary for state action, respect for national interests and national production. Beyond that boundary it gave free play to individuals in settling their differences. The individual is thereby protected by a twin order of considerations. If he joins the syndicate and participates in its activities, he finds himself automatically performing functions not merely of a private but of a public nature. If he chooses not to join the syndicate, he none the less enjoys the results of syndical activity. For the latter extends throughout the whole branch of production, regardless of whether an individual is or is not a member of the syndicate. Italian law has always insisted on the universality of syndical activity. But it also guarantees the voluntary character of syndicate membership.

It may be objected that the impulse toward syndicalism or occupational grouping is lessened unless all producers are members of the syndical organization. But one must not force the rhythm. No social structure can be reared on arbitrary foundations. Moreover, in the present development of economic organization in Italy, the quantitative requirements demanded by law for recognition of a syndicate are, from the theoretical point of view, a sufficient guarantee of the continued efficiency of syndical activity. In practice, virtually all the individuals engaged in certain branches of production have joined the syndicates. This can only mean a complete correspondence between syndical law and the needs of the producing population.

v

What is it which has facilitated the transition of the new Italian economic system from its first phase, purely syndical, to its present corporate phase? The answer is to be found in the fusion of the ends and objectives of individual occupational groups with those of the nation as a whole. The organ through which this fusion of interests takes place is the corporation.

After the organization of Italian syndicates in a unified hierarchical system (confederation, federations and local syndicates), the task confronting the fascist state was to devise a liaison between the organs at the top of the structure. Without a system of horizontal connecting organizations, the syndicates would be isolated, they would be walls without a roof. The fascist corpora-

tions serve as the connecting links. Thereby the various syndicates are brought into contact with one another and can collaborate with the government in the improvement of national production.

It will not be necessary to discuss the evolution of the Italian corporation in detail. Suffice it to say that as far back as 1926 corporations were established as connecting organizations between the various syndical associations. But it was only in 1930 that the reorganization of the National Council of Corporations definitely oriented the whole syndical movement toward its new and corporate phase. The transition is still taking place. This does not mean, however, that syndicalism as such is disappearing. The syndicates continue to carry out their essential functions without which corporative action would be meaningless and impossible. "Syndicalism," Mussolini writes, "cannot be an end in itself; it either exhausts itself in political socialism or is bound to converge toward the fascist corporation. For it is in the corporation that economic unity in its various elements (capital, labor, and technique) is realized. It is only through the corporation, that is, through the coöperation of all forces converging toward a single end, that the vitality of syndicalism is assured. In other words, syndicalism and corporativism are interdependent and mutually conditioning. Without syndicalism the corporation is not possible, and without the corporation syndicalism spends itself in its preliminary phases."

Hence corporativism, the logical outgrowth of Italian syndicalism, does not mean the suppression of the syndical movement. The fact that the corporation is an organ of the state does not in any way impair the autonomy of syndical associations. When corporations and syndicates meet, one of them does not necessarily give way. This is clearly implied in the provisions of the laws passed in 1926 and 1930, and is repeated also in the recent law of February 5, 1934, on the establishment of corporations.

## VI

What, then, is the Italian corporation?

The National Council of Corporations in November 1933 defined the corporation as "that instrument which, under the control of the state, helps in bringing about an organic coördination of the nation's productive forces with a view to furthering the economic well-being and political strength of the Italian people."

The Council added that "the number of corporations to be established within the various major fields of production must, on the whole, correspond to the real necessities of the nation's economy. The general staff of the corporation must include representatives of the organs of the government, of the Fascist Party, of capital, labor, and of technical men." The Council also assigned to corporations "the specific tasks of conciliation and of consultation, and, through the National Council of Corporations, the task of passing laws designed to aid in regulating the economic activity of the nation."

By the law of February 5, 1934, these legal criteria were put into actual practice, the Italian corporation being given definite powers not only in the field of syndical coordination but also in the more important one of the coordination of national production. Articles 8, 10 and 11 of the law discuss in detail the power of corporations. Article 8 decrees that the corporation has the power "to determine rules for the collective regulation of economic activity and for a unitary regulation of production," a broad and sweeping statement purposely adopted in order to give the utmost flexibility to the newly-established organs. The fundamental reason for intervention in productive activity has been stated by Mussolini: "Economic activity of a purely private and individualistic character does not exist. From the day when man first became a member of a social group, no act which an individual undertakes begins or ends in himself. It has, on the contrary, repercussions which go far beyond his own person." Article 10 empowers the corporation to establish rates for economic services and consumption prices of those goods offered to the public under monopolistic conditions. Article 11 describes the legal means for enforcing rates for monopolistic services and prices. Thus the regulation of national production is entrusted to an organ, the corporation, which includes not only the syndicates (*i.e.* representatives of employers and of workers), but also the representatives of the Fascist Party (*i.e.* spokesmen for the community as a whole) and representatives of the various departments of the government.

The corporation itself thus becomes an organ of the state. It operates within the state and under its direct supervision. Consequently, fascist economy is not only a controlled or regulated or planned economy. It is something more: it is an organized economy. It is organized because of the coöperation of all productive

forces under the control of the state. Neither state nor corporation takes production upon itself. Production remains in the hands of private industry, except in those rare cases where the state engages directly in production for political reasons. It is only the regulation, the coördination and the improvement of production which are entrusted to the corporation. The modern Italian corporation is essentially different, then, from the mediæval corporation. The latter frequently found itself in open conflict with the state. Moreover, it regulated and controlled production in the selfish interests of its occupational group without regard for the interests of the consumer and the social group as a whole. The fascist corporation, while accepting the collaboration of various interested groups, embodies in its rules and regulations the general interests of society. The originality and effectiveness of the fascist solution lies in this new concept of the corporation.

## VII

Fascist Italy no less than the United States has endeavored to bring economic life under the regulation of public law. "As I see it," writes President Roosevelt, "the task of government in its relation to business is to assist the development of an economic declaration of rights, an economic constitutional order. This is the common task of statesmen and business men. It is the minimum requirement of a more permanently safe order of society. Happily, the times indicate that to create such an order is not only the proper policy of government but is the only line of safety for our economic structure as well. We know now that these economic units cannot exist unless prosperity is uniform — that is, unless purchasing power is well distributed throughout every group in the nation."

This is what Mussolini is endeavoring to accomplish, when, by translating the economic conception into an ethical one, he perfects the organs which are to bring about greater social justice. What, exactly, is greater social justice? Mussolini defines it as "the assured right to work, an equitable pay, a decorous dwelling, the possibility of constant evolution and constant betterment." It means "that workers must acquire a more and more intimate knowledge of the productive process and learn to participate in its necessary regulation." The problem is one both of production and of distribution. "Modern science," observes Mussolini, "has succeeded in multiplying wealth. Science, controlled and stimu-

lated by the will of the state, must now apply itself to solving the other great problem that of the distribution of wealth, of ending the illogical and cruel phenomenon of misery and hardship in the midst of plenty "

The same vision of a society organized on a more stable basis and on principles of greater social justice animates the two national leaders, and the common ideal, strongly felt by both nations, is clearly reflected in their work. The instruments used in that work vary in conception and in detail, but the similarity of the ultimate goal makes possible analogies which have very deep significance.

The cardinal principle underlying the organization of the Italian corporation is that of the "productive cycle." A complete cycle of production extends from the recruiting of raw materials to the marketing of the finished product. Each corporation includes representatives of all major phases of the cycle.

The twenty two newly-established Italian corporations have been divided into three main groups. The first group includes corporations representing a complete productive cycle. Among these are the corporations of grain and grain products, of viticulture, of sugar beets and sugar, of animal husbandry, fishing, and related products, of wood and wood products, of textiles and textile products. In the second group are corporations including only an industrial and commercial cycle. Among these are the corporations of the chemical industries, of the clothing industry, of the paper and printing industry, and of the building trades. The third group of corporations, the members of which are engaged in the production of services, includes the corporations of the liberal professions and arts, of credit and insurance, of sea and air transportation. Each corporation includes representatives, in equal number, of the workers and employers within the given field, and representatives of the Fascist Party and of the government. The presidency of each corporation is vested in the Minister of Corporations, while the vice president is a member elected from the representatives of the Fascist Party. As has already been explained, among the important functions entrusted to the corporations are the regulation of national production, the coördination of collective labor relations, the settling of labor controversies and the task of acting as consultive organs to the national government.

There are many fundamental points common to the programs

of President Roosevelt and Premier Mussolini. Both desire a more equitable distribution of wealth, the establishment of a more solid social equilibrium, and the elimination of the disturbances introduced into this equilibrium by the rise of powerful financial and industrial interests. But if the fundamental interests are the same, the means of action are quite different. Premier Mussolini endeavors to realize the ideal of greater social justice through the machinery of syndical and occupational representation and the transformation of unitarily organized economic groups into organs of the state. In the American program there still remains a definite separation between the state and the organizations of producers. In the United States there is still to be found on the one hand the state with its bureaucracy (the N. R. A. and its legal, research and planning divisions) and on the other the private producers, organized or unorganized, and free to act as they please except for such limitations as the government may impose. In this distinction lies, to my mind, the greatest difference between the two programs of social action.

Despite this difference, there are evident similarities between the Italian and American programs. These similarities are to be found primarily in the field of collective labor relations and in the institution established for the conciliation of labor disputes. Although they have similar objectives, even the labor institutions are not the same in the two countries. In the United States the newly-instituted National Labor Board acts only in an advisory capacity. In Italy the labor courts have authority to hand down definite verdicts; they can, moreover, prevent any recourse to strikes, lock-outs, or other violent means of class warfare. Another difference between the two programs is that in the United States the actual elaboration of codes rules and principles, including those in the field of labor relations, lies, despite the supervision of the government, primarily in the hands of the employers. In Italy, on the contrary, labor relations are settled by negotiation between syndical organizations of employers and workers, both of which have equal rights and legal status.

The American codes are intended not only to regulate collective labor relations but also to limit competition and unfair trade practices. But since they are drawn up exclusively for and within individual industrial groups, proper coördination among these various groups is difficult and *uncertain*. The result seems to be the triumph of the interests of the individual industrial group

rather than the triumph of the interest of the community. In Italy, as we have seen, regulation of competition, questions of limitation of production and prices, of collective labor relations, etc., fall within the province of the corporation and of the National Council of Corporations. These institutions are in a much better position than is any one isolated industrial group to regulate not only particular group interests but also the interests of the community as a whole.

The success of American reform in the industrial field is bound up with the codes of fair competition. It will be interesting indeed to follow the further development of the experiment and to see how the American people, within the limits of their own traditions and institutions, will find a solution to the problem of state regulation of the forces of national production. A return to a system of absolute economic individualism is out of the question. There seem to remain only two possible directions in which further development can take place: increased state intervention and bureaucratic control, and the elevation of the nation's productive organizations to the dignity and responsibility of autonomous and self governing organs of the state. The whole past of American civilization definitely points against the adoption of the first solution. For the second there is still lacking, at least at the present time, the indispensable legal framework to give a unity of purpose to a system of syndical or occupational representation. A corporate regulation of production in the Italian sense could only be achieved if, in the present codes, substantial changes were made permitting a much broader participation of labor. But given the present situation, it would seem that American public opinion must change greatly before the state, capital, and labor will be in a position to move harmoniously toward their common goal. In Italy a good part of the journey has already been completed. An equilibrium has been established, without a complete fusion or loss of individuality, between capital and labor, between labor and the state, and between the state and capital.

# A "NEW DEAL" FOR BELGIUM

*By Charles Roger*

**A**T THE end of March a new Belgian government of national union was constituted, with the coöperation of the three chief Belgian parties — Catholics, Socialists and Liberals — and with Paul Van Zeeland as Prime Minister and Minister for Foreign Affairs. The program of economic recovery which this government presented to Parliament is inspired by new principles and utilizes new methods.

In its monetary policy the Van Zeeland government was obliged to take cognizance of the new situation created by the *de facto* suspension of the gold standard on the day when the late Theunis government had taken over control of exchange. The Premier therefore announced that he was forced to devalue the belga slightly, in order to obviate a serious economic and banking crisis. This new orientation of the monetary policy was a direct challenge to current public opinion and to the ideas held by the majority of Parliament.

In order to restore confidence in the banking system, which threatened to be badly shaken, a series of financial measures was proposed: a state guarantee of bank deposits, should that prove necessary; the creation of a National Institute for Rediscount and Guarantee; the creation of a Central Mortgage Institute; and, finally, the coördination of the banking system with government policy.

By way of general measures of economic expansion, the new government chiefly contemplated a rise in wholesale prices sufficient to put business once more on a profitable basis, a gradual and moderate rise in retail prices and the cost of living, a general lowering of interest rates as a preliminary to the conversion of government securities, the wholesale reduction of taxes, the supervision of stock exchange operations to prevent undesirable speculation, and the adoption of a public works program. A Bureau of Economic Reform, with the Prime Minister as chairman, was entrusted with the task of coördinating and harmonizing these efforts. As for social policy, the government announced a program for the gradual organization of the professions. And in the field of foreign economic policy, commercial relations with the Soviets were to be developed on a basis of reciprocity.



Inevitably there was criticism of the program which I have roughly outlined, on the score that it was a slavish copy of the American New Deal. In Parliament several speakers made this remark, among them Henri Jaspar, a former Prime Minister, who violently opposed the abandonment of the old gold parity. "This program is no novelty," he said. "Everything about it, even its title, is borrowed. We know the New Recovery Deal in America. We know where the inspiration came from. Elsewhere money has been devalued by decree, banks put under control, and economy controlled. I am very much afraid that the Prime Minister is being too deeply influenced by his reading and by his travels. Travelling educates youth, but sometimes distorts it. The United States devalued the dollar, as a result of the surplus of bank credit and the ruin of the farmers, with the intention of raising domestic prices. But the consequences did not correspond to the plan. The American unemployed have not been put back to work. Controlled economy has proved a fiasco. American foreign trade has shrunk 75 percent. Recent statistics show that there are twenty millions on relief in the United States and that one third of the population of New York is now living on charity or public assistance. Devaluation and controlled economy are not the remedy for economic evils. The United States stretches over a whole continent, has all essential raw materials at its disposal, and is protected by formidable customs walls. Yet its experiment was unsuccessful. And we are much less fortunately situated."

Many articles in the Belgian and French press repeated the same theme. This was natural in view of the sympathy with which the new Prime Minister had followed the American experiment. He has lived in America and knows it well. He holds a degree as Master of Arts of Princeton University, and he returned to the United States in 1933 to give a series of lectures at Johns Hopkins University, at which time he watched the first phases of the Roosevelt experiment.

On his return to Belgium M. Van Zeeland made his impressions public on several occasions, but it is not to be concluded that his praise of President Roosevelt was entirely uncritical. Replying to the speech of M. Jaspar, which I have just quoted, he said: "Much has been said about the Roosevelt plan and its application. I maintain that President Roosevelt's action helped the situation with which he was confronted when he came to power. I have the greatest admiration for him. I say this with hesitation."

I felt more than admiration for President Hoover. He made an extraordinary effort to save his country. He failed. President Roosevelt has succeeded. His country continues its orderly life, despite certain partial setbacks. I have two serious objections to the work of Mr. Roosevelt. The first concerns the reduction of working hours at the same time with a rise in wages. The second concerns his monetary policy. In the United States devaluation was voluntary. If he had adopted a policy of expansion, he would have put an end to the world crisis. I wrote this some time ago. Here, too, we defended the franc. I myself said that we must defend it. But the moment came when this was no longer possible as a primary objective."

There certainly are points at which the new Belgian policy and President Roosevelt's New Deal run parallel, but the analogy must not be pushed too far. Closer study shows essential divergencies between certain of the guiding concepts, and also between methods and the way in which they are applied. The Belgian reforms do not aim at a premature revival of business by the artificial manipulation of wages, hours of work, prices and currency. The aim is more limited and less ambitious. Our recovery program starts from the basic principle that, before the devaluation of the belga, Belgium's purchasing power was at a disadvantage of about 28 percent. This disparity had compelled previous governments to adopt a deflationary policy which worked out unfairly in practice and upset the country's economic equilibrium. The objective is to restore internal equilibrium and to favor economic expansion on this new basis.

All my references to American politics are made subject to reservations, as it is difficult at this distance to estimate the Roosevelt experiment accurately. Generally speaking, such news as we get from the United States is often incoherent. The comments of the leading newspapers seem mostly unfavorable. Public opinion is apparently baffled by the empirical character of the experiment, by its complexity, and by the elliptical nature of many of President Roosevelt's statements. Even those of us who follow events closely have the greatest difficulty in forming a precise idea of events as they occur on the other side of the Atlantic. Therefore, when I mention certain points of similarity and divergence between Belgian and American policy my remarks are subject to reservations so far as the United States is concerned.

## II WHY THE BELGA WAS DEVALUED

First of all I must try to place the new Belgian economic policy in its general setting

The fundamental reason why our economic situation has been so difficult in recent years was the disparity in purchasing power between Belgium and most of the other nations which had abandoned the gold standard, especially those on sterling. Before September 1931 the disparity in purchasing power had been the other way about, being between 15 and 20 percent in our favor. But the depreciation of the pound sterling transformed the situation, and created in the end a disparity of purchasing power between Belgium and most of the rest of the world of some 28 percent. Now Belgium is a small country which is not self-sufficient. International trade is of primordial importance. The Belgian Government was therefore in a dilemma: either to devalue the currency or lower costs by the classic methods of the policy of deflation.

Remembering an experiment in currency inflation which terminated in the stabilization of the franc in 1926, public opinion was resolutely hostile to all currency manipulation, and the various governments which asked for special powers in the course of 1934 put the maintenance of the franc at its gold parity at the head of their deflation programs. In a strictly technical sense it is true that the currency problem did not arise, the gold reserve of the National Bank of Belgium amounted to about 65 percent. But, from an economic point of view, it was necessary for Belgian costs to be lowered in order to enable the export industries to meet international competition successfully.

Theoretically the deflation program was perfect. It included the reduction of fiscal and financial charges, taxation relief, a reduction in the cost of living, a cheap money policy, the maintenance of budgetary equilibrium. But in practice the policy encountered a formidable obstacle: the rigidity of the various elements in the cost of production. In spite of all efforts, and in spite of partial successes, the disparity between Belgian and English prices grew continually worse. As it was carried out, the policy of deflation was excessive and led to contradictions. The government wanted to discourage hoarding by stimulating purchases, but at the same time it announced further reductions in price, which encouraged hoarding. From the agricultural point of view, the comparison

between Belgian costs and foreign costs, the latter lowered by the practice of monetary or other dumping, forced the Belgian Government to take protective measures and to establish quotas in favor of the farmers. This resulted in a rise in the cost of living, which was contrary to the general policy of the government. The same phenomenon occurred with coal, certain chemical products, and many manufactured goods.

It cannot be denied that in many fields the fall in Belgian prices had reached an exaggerated stage. Far from restoring an equilibrium, the policy of deflation was unequal in its effects, and most Belgian businesses showed a loss. In 1934, out of 7,334 joint stock companies more than 3,000 operated at a deficit. There naturally was an increase in unemployment. Because of this unemployment, even allowing for the reduction in the cost of living, the purchasing power of the working class was reduced one-fifth in comparison with 1929.

Because of this lack of return on money invested, the money rate had to remain high, which made impossible the conversion of government securities. Furthermore, the disappearance of taxable sources of revenue reduced receipts, which seriously compromised the budgetary equilibrium. That the increase in real charges was even greater becomes evident when we consider that the bonded debt of the joint stock companies rose from 4,000 million Belgian francs to 10,500 million between 1929 and 1934. During the same period the index of retail prices fell 28 percent and that of wholesale prices 43 percent. From 1929 to 1934 the tonnage of Belgian exports fell 20 percent, while the value of exports fell 56 percent. These figures demonstrate the extent of the business losses incurred by Belgian enterprises. The annual index of production (based on the years 1923-1935) had declined 42 percent in 1934 compared to 1929. National activity decreased to a point lower than that reached at a time when economic recovery after the war was not yet complete, and this despite a considerable increase in the means of production.

Because of the relatively close ties between the banks and numerous industrial enterprises, the unfavorable economic situation necessarily involved the banks in difficulties. On several occasions previous governments had been obliged to help them out. The help had been useful, but it was temporary and insufficient. In the circumstances, the tendency to hoard could not but become more pronounced, and Belgian capital migrated to coun-

tries where a halt in the policy of deflation had restored a margin of profit to industry

Here we come to the immediate reasons for the devaluation of the belga. A first wave of gold withdrawal from the National Bank of Belgium had occurred at the beginning of 1934, but an important part of this gold was subsequently recovered. A second wave occurred in June, and a third and much more important one in October and November, before the resignation of the de Broqueville government. Since October the National Bank has lost 2,000 millions of gold francs. On the day when the Theunis government received a vote of confidence from Parliament, this movement stopped, but contrary to what happened before, the gold that had been withdrawn did not return to the Bank.

A more serious fact was that the gold was not purchased with hoarded money. The public withdrew its deposits from private banks. But the banks were already short of available funds, and the loss of the deposits exhausted their assets. The weak point in the situation, which was the direct and immediate cause of the devaluation of the belga was, therefore, the difficult position of the private banks, arising out of the withdrawal of deposits, and not the technical position of the bank of issue, which remained solid. The export of capital had increased considerably at the beginning of March, because the further fall of the pound sterling in relation to the gold currencies had accentuated the divergence between Belgian and English cost prices, thereby almost nullifying the efforts of eight months of deflation in Belgium.

As the gold losses were particularly heavy on March 16, the Theunis government decided on the control of exchange, and next day resigned. This meant practically going off the gold standard, and M. Theunis realized that the corollary was the devaluation of the franc. A final effort had been made during the visit of the Belgian ministers to Paris on March 15, with a view to obtaining certain economic advantages. The result had been negative, and the government resigned to make way for the National Union Government. The modification of the Belgian monetary system was the result of economic difficulties. We had to choose between sacrificing the currency and sacrificing the national economy — the banks, business, and industry.

There were no alternative solutions. If we had wished to preserve the gold parity of the franc, we should have had to engage in a policy of economic expansion on that monetary basis. This

would have meant a system of autarchy, of economic nationalism. The Belgian economy, which is dependent for its existence upon exports, did not permit of our isolating ourselves from the rest of the world. On the other hand, it was absolutely impossible, from an economic no less than from a social and political point of view, to continue along the road of deflation followed by previous governments. The evidence already adduced is sufficient proof. Those who know the state of Belgian public opinion at the time when the Van Zeeland government came before Parliament realize how courageous it was to brave the feelings of the majority, who wished to maintain the franc at its gold parity, without suspecting what that would involve.

### III. COMPARISONS WITH AMERICA: DEVALUATION

The devaluation of the belga, then, was not voluntary. As Prime Minister Van Zeeland said in his speech to Parliament, Belgium was pushed off the gold standard. The fundamental reason was the difference between international prices governed by the pound sterling and Belgian costs. This explains why the depreciation was fixed at between 25 and 30 percent. As a matter of fact, Belgium's disadvantage in purchasing power was estimated at 27 or 28 percent. By choosing this rate of devaluation Belgium approximates Belgian prices to the level of world prices and suppresses those tendencies which would have resulted in debasing the currency. For the present, the belga has been stabilized at 72 percent of its old parity. The definitive rate will be fixed later on, when an international arrangement has been made to stabilize the principal world currencies on a gold basis. The Belgian Government hopes that day will come as soon as possible. Meanwhile a fund for the equalization of exchange has been set up to maintain the stability of the belga on its present provisional basis.

The devaluation of the belga, therefore, cannot be compared to that of the dollar, which was undertaken voluntarily and with a more ambitious object in view. On several occasions President Roosevelt has declared his intention of causing a rise in American domestic prices in order to relieve the debt burden. If at the beginning it was the President's intention to obtain a general rise in prices approximately equal to the gradual increase in the price of gold, it would seem that the results so far must have caused a certain disappointment, since the general index of prices has in-

creased only 30 percent, or thereabouts, whereas the price of gold had risen 70 percent. No doubt it is too early to draw conclusions. Agricultural and raw material prices have risen appreciably, and when we try to determine the reasons and the part played by devaluation we find the problem becoming highly complicated. A number of other factors, having no monetary significance, must be taken into account, particularly the drought of June 1934, the program of crop curtailment, and the policy of industrial codes. Without passing judgment on these diverse measures of President Roosevelt, I shall content myself with pointing out that the devaluation of the belga was effected in different circumstances, and that it cannot be compared to the devaluation of the dollar in respect to the principles which dictated the operation.

#### IV COMPARISONS WITH AMERICA THE RISE IN PRICES

The Belgian price policy also must be considered as a readaptation of conditions for a return to normal. The index of Belgian wholesale prices had particularly shown the pressure of world prices. Consequently, devaluation should cause them to rise rapidly. As for retail prices, which reflect the trend of costs in a more general way, the government feels that they should rise gradually and moderately. Their rise should not correspond to the rate of depreciation, since, as a result of devaluation, Belgian prices are merely joining the level of world prices. But as Belgium imports about 25 percent of her foodstuffs and raw materials (of wheat 75 percent), prices in these categories must rise. Previous governments wished to prevent an excessive fall in agricultural prices by means of licence taxes and quotas. The relaxing of these quotas and the abolition of licence taxes will make it possible to avoid a rise in prices proportionate to the rate of devaluation. Furthermore, the Belgian Government holds that the present level of retail prices is abnormally low, and that a rise of 10 to 15 percent would restore them to their 1931 level, thus permitting a revaluation of real property and stocks, which have been artificially depreciated.

The text of the government statement concerning its price policy is worth quoting:

Our entire policy will be turned in the direction of economic expansion, the only true method of ensuring the elimination of unemployment.

Business recovery depends upon the restoration of the profit margin. No

business can continue to function at a permanent loss. Our efforts will be concerned with both prices and production costs.

So far as prices are concerned, we feel that the fall must be stopped, because in every category it has certainly gone beyond the point of economic equilibrium. Wholesale prices will rise certainly and rapidly, as a result of the monetary measures adopted. Thus will be reduced the abnormal disparity which persists, despite all our efforts, between wholesale and retail prices.

Regarding the latter, we feel that a gradual and moderate rise is desirable in the present state of affairs. We see in this a means of relieving the critical situation of the middle classes, particularly those engaged in retail trade. The ideal, of course, would be perfect stability. We shall see to it that there is no rapid rise, and to that end we shall use every means at our disposal. Without abandoning the legitimate protection of our agricultural interests, we shall take care that the system of quotas and licences does not cause an additional rise in prices.

It is, however, chiefly by means of sustained and energetic measures dealing with various factors in the cost of production that we propose to give business back the margin of profit which is indispensable to its continued activity. To this end we shall particularly strive to alleviate the financial and fiscal burdens which handicap enterprise. We shall pursue a definite policy of abundant and cheap credit. The measures which we have taken with a view to banking reorganization will have provided us with the necessary basis.

We see, therefore, that the Belgian Government hopes to promote business recovery, and thereby increase the purchasing power of the masses, by restoring the margin of profit in business undertakings, which will be facilitated by the reduction of fiscal and financial burdens. In order to help this recovery and to hasten the return of the unemployed to work, a public works program is under consideration, but there is no question of stimulating mass purchasing power by artificial means. Thus it is stipulated in the government statement: "During the transition period we shall do all that lies in our power to give *real hourly wages* a stability which will facilitate business expansion. . . . By increasing the total of salaries paid the working class as a whole, that is, by putting the unemployed back to work and eliminating workless days, we hope to restore the former standard of living in Belgium."

Here, I believe, the Belgian policy perceptibly diverges from the principle which seems to have been the basis of various important measures adopted by the Roosevelt Administration. The latter appears to have aimed to increase the purchasing power of the people, not only by monetary manipulation, but also by artificially increasing wages while reducing working hours. As regards agricultural prices, the increase of these with a view to



stimulating the purchasing power of the farmers was sought by a reduction of crops and the payment of a bonus to those consenting to reduce the area of cultivation. As regards industry, it would seem that the policy of N R A codes has succeeded in assisting the production of consumers' goods, but has failed to stimulate producers' goods. In Belgium, on the contrary, the government is trying to assist immediately those industries which had suffered most from the pressure of world prices, in such wise as to restore a more equitable balance between producers' goods and consumers' goods. The mining, glass, and textile industries, all particularly hard hit since 1931, will certainly find their position improved during the course of the next few months, as a result of the increase in wholesale prices, which will not be followed by an equivalent rise in retail prices.

In agriculture, Belgium has no intention of adopting American methods. The adjustment of the currency favors Belgian agriculture directly by protecting it from the dumping of cheap-money countries. Nor is there any question of reducing crops artificially (they actually are insufficient to meet the needs of national consumption) in order to equalize the purchasing power of agriculture and industry on a pre war price basis. That experiment is specifically American.

#### V COMPARISONS WITH AMERICA RELIEF

Now let us turn to social legislation. On this point it may be said that the United States is now trying to reach the level which Western European countries achieved a number of years ago. Unemployment insurance and old age pensions were organized in Belgium after the war. Belgian unemployed are directly supported on a daily dole, but the present government will try to some extent to substitute payments for useful public work for this direct dole, by means of a program of public works. It is out of the question, however, that public works expenditures in Belgium should ever reach the proportions of these now current in America, nor is the creation of work camps contemplated.

The financing of a too ambitious public works program would add to the public debt at a time when the latter already absorbs a third of the ordinary budget expenditures. Further, when public works expenditure reaches such dimensions, one may well ask whether it is not coming into direct competition with private enterprise, which thereby is discouraged instead of being stimu-

lated. On the other hand, a moderate program of public works in Belgium would facilitate a return to the state of domestic equilibrium which is the present government's objective.

#### VI. COMPARISONS WITH AMERICA: THE STATE AND THE BANKS

From what I have already written it will have been evident that intervention by the state in the country's general economy has not gone so far in Belgium as in the United States. This is further confirmed by an examination of the banking reorganization in Belgium.

Until 1934 the structure of Belgian banking remained intact. Financial institutions had succeeded in surviving the crisis without outside help. But at the beginning of 1934 a panic caused by a sharpening of the crisis led to the withdrawal of deposits. The Belgian Socialist Workers' Bank, whose importance was secondary and whose situation was intrinsically unsound, got into difficulties, as did the socialist coöperative societies. To prevent the panic from spreading, the government decided to come to the assistance of the bank by a loan to the coöperatives. Repayment was to be made later by the coöperative societies out of their profits. But a strong reaction in public opinion prevented the bank from being saved, and the socialist coöperative societies received limited credits, subject to strict guarantees. In the summer of 1934 a new wave of uneasiness led the de Broqueville government to create a system of credit expansion. Two thousand millions in obligations were to help the National Society of Credit for Industry. As a matter of fact this expansion of credit did not occur, but the worst had been avoided. In November the Boerenbond and the Flemish Catholic coöperative societies needed government help.

At the beginning of 1935 wholesale withdrawals of capital were resumed on a still larger scale. The pressure of deflation was weighing more and more heavily on the country. Immediately the new Van Zeeland government took steps to avoid a banking moratorium. It declared that if necessary it would go so far as to guarantee bank deposits. But the new trend in economic policy induced huge returns of capital, thereby obviating the necessity for a decision of this kind.

In order so far as possible to avoid the recurrence of such difficulties, the Van Zeeland government is planning important reforms. To facilitate the expansion of credit, an Institute for Re-

discount and Guarantee will enable the banks to undertake a more bold credit policy and to grant direct discount to producers without any other effective protection. The government also intends to develop the market for short term private bills, following the British model. As an essential reform, the government intends to set up a control of banks. Its view is that the separation of deposit banks and business banks, decreed by the de Broqueville government on August 22, 1934, is not sufficient to prevent future mistakes.

Before joining the present government, the Socialist Party had adopted as their program the so called 'De Man Plan,' the author of which is at present Minister of Public Works and Relief. This program, inspired by doctrinaire considerations, demanded the control of credit and the nationalization of the banks. In agreeing to cooperate with the government, the Socialists temporarily abandoned certain of their demands. The ministerial statement does not include state participation in the capital of the banks, as demanded by M. De Man. For the moment, the Socialists are satisfied with regulation of the banks and control of credit by the National Bank or some other organization. They thus have evinced a spirit of cooperation at a time when it was imperative that all agree on a minimum program.

Although the banking system of the United States is hardly comparable to that of Belgium, it would seem that under President Roosevelt intervention by the state has proceeded further in America than in Belgium. Long since regulated by legal statute, the American banks must comply more and more with Federal instructions so far as the expansion of credit is concerned. They are compelled to accept large quantities of government securities, which makes their solidity and liquidity dependent on the Administration's financial policy. As a result of the governmental guarantee of deposits, their solvency also depends upon the state. The banking clean up of April 1933 was conducted according to the classical rules, but it appears that since then nationalization of the banks has been pushed further ahead.

#### VII COMPARISONS WITH AMERICA THE STATE AND PROFESSIONAL ORGANIZATIONS

Without going so far as the American law of June 13, 1933, which instructed each profession to draw up a code of fair competition designed to safeguard the interests of employers, employees,

and consumers, Belgian legislation is nevertheless moving in that direction. On January 13, 1935, the Theunis government permitted the institution of economic regulations governing production and distribution. Addressing the Minister of Economic Affairs, it directed: "Any group of producers or distributors may request that there be extended to all other producers or distributors belonging to the same branch of industry or commerce, a voluntary agreement regulating production, distribution, sale, exportation, or importation." In order to forestall sudden decisions which might favor particular interests, a precise form of procedure is provided. This Belgian law, therefore, is not so comprehensive as the American or Italian legislation in the same field.

The new government intends to proceed further in this direction. It proposes to create organizations of an intermediary nature, professional groups, which shall themselves fulfil the economic functions of which they are capable, without state intervention. At present it is difficult to foresee to what extent these projects will be realized.

#### VIII. CONCLUSION

It will be seen that very probably the new policy of the Belgian Government is to be a policy of controlled economy, particularly in view of the personal ideas of Premier Van Zeeland and the Minister of Public Works. Their doctrines will differ. The one, a Catholic, will be inspired by the teaching of the Encyclical *Quadragesimo Anno*; the other, a Socialist, is a partisan of a more advanced form of nationalization. But both agree as to the immediate necessity for state intervention in the economics of the country. It is hard to say to what extent a program of controlled economy can be put into practice in Belgium. Public opinion is in the main definitely hostile to it. As for the manner and methods of intervention, these will depart considerably from those employed in the United States, due principally to the fact that the conditions of application are different.

# HOW CHILE HAS MET THE DEPRESSION

*By Ernesto Barros Jarpa*

**M**Y TASK is to outline the financial and economic situation in Chile, going back for that purpose to the threatened collapse of our national structure in the maelstrom of world depression, and the forces which the Chilean Government employed to combat that threat. A nation's problems often fail to awaken much sympathetic attention abroad, an earthquake in Asia involving a loss of thousands of human lives commands less interest, as expressed in the columns of the daily press, than a train wreck or a local fire. However, the toll taken by the world depression may have brought us all somewhat closer together in the sympathy of a common tragedy. Specifically, the course taken by the crisis in Chile has so closely paralleled developments in the United States that each people may be ready to take a sincere and friendly interest in the other's misfortunes and in the steps which it has taken to recover the ground lost in the economic landslide of 1929-32.

By any reasonable measure Chile has suffered more bitterly from the world crisis than almost any other important nation. Our exports dropped from \$278,000,000 in 1929 to the insignificant total of \$42,000,000 in 1932, and this 85 percent slump could not but entail acute suffering for the entire Chilean people. It must be remembered that with us the export trade is the very foundation of the national economic structure and not, as in some more self-sufficient countries, merely a desirable adjunct to domestic trade. The effects of the drop in internal purchasing power following the shrinkage in exports were immediately and everywhere apparent. Farmers found it impossible to dispose of their crops even at ruinous prices, and, consequently, they had no way of meeting their obligations. The position of those dependent upon industry was scarcely less acute. Add to this the fact that government revenues fell from nearly \$150,000,000 in 1929 to \$43,000,000 in 1932, when the Chilean people were most in need of assistance, and some idea will be had of the magnitude and scope of the problems confronting the government.

Obviously, it was impossible to await a general world trade recovery. Chile was compelled to meet its problems at once, and unaided. What was to be done?

## II. THE PARAMOUNT PROBLEM OF INDEBTEDNESS

The commercial crisis was solved primarily through the forced reduction of interest rates. In that way the burden of debtors was lightened, and in the end the banks, which had at first bitterly opposed these measures, were aided in replenishing their resources and in liquidating a substantial portion of their frozen assets. The position of the debtor classes was further relieved by the depreciation of the currency which followed the decline in exports. At the same time, the government was able to supplement these measures and give a natural impetus to business recovery through the creation of an Industrial Credit Fund to finance new industries and expand those already in existence.

The crisis proved to be most acute in the agricultural regions, and it may be remarked that some 41 percent of the Chilean population is dependent upon the soil. The market for farm products was completely demoralized by the collapse in purchasing power and by the frantic efforts of farmers to dispose of their crops at any price in order that they might continue to meet their obligations. The widening disparity between the farmer's pitifully small income and his fixed debt charges forced drastic action. Debtors were allowed to fund their arrears at the uniform rate of 6 percent into new long-term obligations, while current interest and dividends were reduced by 50 percent, and for the two following years by 25 percent. Creation of a Farm Credit Fund helped to solve the problem of debts, without shifting the burden onto the banks. The Mortgage Bank, which had been on the verge of bankruptcy, found its position improved as a result of the relief afforded its debtors, and was able to avoid the threatened suspension of payments on its own internal obligations.

In Chile, as elsewhere, it became apparent that an attempt to solve the problem of indebtedness by forcing debtors into bankruptcy is merely to aggravate the evils of depression. The changed position of debtors had to be frankly recognized, and all possible assistance, compatible with the just claims of creditors, had to be accorded them. This was the guiding policy to which the Chilean Government adhered in dealing with the problem. It proved to be the only means of restoring equilibrium in the national economy when the aggregate debt burden had been artificially raised by a precipitous drop in the means of payment, in other words, in the prices of basic commodities.

The reasonable words of President Roosevelt with reference to the European war debts may appropriately be quoted in this connection "I firmly believe in the principle that an individual debtor should at all times have access to the creditor, that he should have opportunity to lay facts and representations before the creditor and that the creditor always should give courteous, sympathetic and thoughtful consideration to such facts and representations" This was the policy followed by Chile in the treatment of its oppressed debtors

### III THE THREEFOLD ATTACK ON UNEMPLOYMENT

While the steps which I have outlined above relieved the immediate pressure on the Chilean people and prepared the way for slow recovery, the country still faced a serious unemployment problem To alleviate unemployment, the government had to choose between three programs (1) public works, either constructed by the government or let out to private contractors, (2) a direct dole, or (3) work relief, such as the Citizens Conservation Corps furnishes in the United States

Prior to the middle of 1932, the first method was followed in Chile, supplemented by direct relief But it was found (as has been discovered elsewhere) that a public works program is inevitably the most costly and least efficient form of relief, while, on the other hand, the dole tends to undermine the morale and self respect of the unemployed

It was decided, therefore, to adopt the third alternative — that of work relief — as the principal means of dealing with the unemployment problem Thus, the government initiated a series of concerted measures to promote gold production, both through mining and placer operations The chief emphasis was placed on private rather than government operation, and state gold bearing properties were in many instances turned over to private contractors Individual initiative was encouraged, and thousands of persons who started out panning for gold have since become contractors or owners of their own properties The government cooperated by fixing a minimum price for gold, which made prospecting decidedly attractive, owing to depreciation of the currency In addition, the government sent agents direct to the fields to purchase the gold so as to avoid placing the miners at the mercy of speculators and to eliminate the waste of their time in traveling to and from the mint

It may be stated that this program has proved a complete success within its obvious limits. Within five months the glamour of gold mining as such, and the intrinsic reward for long hours with a shallow pan or pick and shovel, brought 40,000 workers back into the ranks of the gainfully employed. By November 1932 the value of new gold production was equal to 50 percent of Chilean imports for the month, and gold mining was well on the way to becoming a profitable and growing industry rather than merely a form of unemployment relief. The government now is giving greater attention to technical improvements in the methods of extraction, which may be expected to bring about a further increase in output. In 1934, Chile produced 7,420 kilograms — nearly 8 tons — of gold, which represented a gain of 62 percent over 1933. It is significant, moreover, that 26 percent of the total production came from placer operations, which are predominantly carried on by independent laborers and small contractors.

Government aid to the mining industry was not confined to the encouragement of gold production, although expansion of the latter has doubtless been most spectacular and of the most direct benefit to victims of the depression. In the same way that credit funds were created to finance industry and ease the burden of farm debts, a Mining Credit Fund was formed to finance the production of sulphur, potash, salt, lead, nickel and aluminum as well as gold.

Thus, by means of a well planned and coördinated recovery program the Chilean Government has not only alleviated unemployment through work relief, but has fostered the development of new and permanent sources of national wealth.

#### IV. THE NEW SOCIAL AIMS OF GOVERNMENT

What has been described thus far is in effect a "New Deal" for the Chilean people. In so far as possible, the system operates without competition with private industry. Its purpose is merely to fill up the gaps left by private capital and mark out the road which later on is to be followed by individual initiative. The goal has by no means been reached, but the immediate worries of the producer have been lifted by the efforts of the government to assure him a market for his product.

Some people have characterized this new concept of the duty of the state as "socialism," and have endeavored to arouse vague



fears of political and social experimentation. But does not the fundamental concept of socialism today consist of the appropriation by the state of the means of production? When these means of production remain in the control of private capital, and the state confines itself to encouraging their use and to providing those services which have not attracted private capital, this is not socialism, it is merely the recognition by the state of its primary social function, its paramount duty to preserve to the people the possibility to work and live.

#### V FINANCIAL REFORM AND RETRENCHMENT

Such are the broad social and economic measures and purposes which lie behind the present recovery movement in Chile. There are other aspects of the program, of course, and among them we lay particular stress on the steps taken to reestablish the national credit through balancing the budget and initiating discussions relating to the external debt.

Confronted by a national emergency, the government's first step was to reduce the level of its expenditures. It was realized that if confidence in the financial stability of the government were not maintained the country would be confronted not merely with crisis but with chaos. How effectively this was done is seen from the fact that government expenditures were slashed from 1,596,000,000 pesos in 1929 to 948,000,000 pesos in 1934. The comparison would be even more striking if the depreciation of the currency were taken into account. What these savings meant in terms of dollars and cents to the individual government official or employee may be understood from the fact that the Secretary of State, the Finance Minister and other members of the Cabinet today receive salaries of only \$33.60 a week, while the average government employee gets less than \$5.80 a week.

But retrenchment alone was not sufficient to balance the budget. The government was forced to impose new and higher levies of every kind: taxes on bachelors, on the volume of business, on excess profits, taxes on the transfer of property, increased income and inheritance taxes, and so forth. In spite of the depression, therefore, and by dint of severe sacrifice on the part of the people, the Treasury managed to collect total taxes of 871,000,000 pesos in 1934, as against 356,000,000 pesos in 1932.

Under present conditions, taxes cannot be raised further, and expenditures can be cut only at the risk of endangering the effi-

ciency of the government organization and the living standards of its employees, who have patiently submitted to drastic salary reductions. The President of the Republic in his message to Congress stated: "We have raised taxes to the limit. The combined taxes represent an average assessment of 27 percent on the income of each citizen." Computations have been made showing that industry and commerce pay taxes equal to 62 percent of their earnings. Yet these burdensome taxes have been necessary to preserve the government's fiscal structure. It is hoped that in time the gradual recovery fostered by the measures already described will both increase the revenues of the government and lighten the burden on the taxpayers.

#### VI. THE PROBLEM OF FOREIGN DEBTS

It must be pointed out that all this recovery, all these increased taxes and the balancing of the budget have added little to the present capacity of Chile to meet interest payments upon her foreign debt. These debts can be met solely in foreign exchange arising from the excess of the balance of international payments. In other words, foreign debt service must depend, not merely upon Chilean recovery, which has made gratifying progress, but upon world recovery, and particularly upon increased world demand and higher world prices for the two products which have always accounted for close to 90 percent of Chile's total exports, namely, copper and nitrates.

Thus the problem of foreign debts is seen to lie in the fact that world prices for copper have dropped over 80 percent and for sodium nitrate nearly 72 percent in terms of gold, while at the same time the slackening in the demand of world industry and agriculture for these two vital products compelled a slash in production from 316,813 tons of copper in 1929 to 163,312 tons in 1933, and from 3,280,000 tons of sodium nitrate to 450,400 tons.

As a consequence, total Chilean exports dropped from \$278,000,000 in 1929 to \$44,800,000 in 1933 (only 16 percent of the 1929 figure). When it is remembered that Chile can find foreign exchange solely from exports, the effect of this terrific cut in our resources becomes apparent. In the United States in 1932, the worst year of the crisis, national production was reduced only about 50 percent from the level of the 1929 boom. Prices had dropped only 32 percent in the same period, and exports 69 percent. Picture, then, the significance of the crisis in Chile, with

national mineral production, which had accounted for over 90 percent of foreign trade, cut 74 percent, prices for the principal products off 72 percent to 80 percent, and exports, which are the sole means of meeting external obligations, slashed 84 percent.

These figures of foreign trade and exchange do not exaggerate the acuteness of Chile's distress. There has been, it is true, a gratifying measure of recovery during the past year. It is this turn in the tide, in fact, which gives us confidence that the worst of our troubles are over and allows the Chilean Government to make any offer whatsoever for the settlement of its external indebtedness.

Chile has not lagged in trying to reestablish a basis for the service of its external indebtedness. The government did not wait until the country had attained a full or normal measure of economic recovery, nor until its creditors came to it with their demands for payment. Its action has been entirely spontaneous. At the very worst period of the crisis, in September 1932, the government passed the organic law establishing the Autonomous Institute for the Amortization of the Public Debt (*Caja Autonoma de Amortizacion de la Dueda Publica*), and it is under the provisions of that Statute, and of subsequent enabling legislation, that the Chilean Special Financial Commission of which I am a member was sent to the United States and England to take up this problem with representatives of the creditors.

The law of January 31, 1935, which formed the basis of our discussions has been published and its details are already familiar to American and other bondholders. In explanation of the terms of that law, I may state that if a definite and flat cut in interest rates were to be proposed as a permanent arrangement, it would have to be a considerable reduction from the contractual rate. This would be unfair to Chile's creditors and would not reflect the nation's continuing desire to meet its obligations to the full extent of its ability. Any such arrangement entered into today, when Chile is (we believe and hope) just beginning to emerge from the economic depths, would fall far short of its capacity to pay once recovery had been fully established.

Hence, in deference to the legitimate rights of creditors and from respect for national obligations on the one hand, and taking due account of the vicissitudes of economic fortune on the other, the law provides a graduated schedule of payments varying in accordance with Chile's capacity to pay. It is believed that

this arrangement will be more acceptable to creditors than any outright and permanent slash in interest payments.

The law therefore allots to foreign creditors not merely a part of the government receipts from two major sources, but all those receipts — namely, the entire fiscal revenues from the nitrate and copper industries. The income from these exports has been and is today practically the only one providing a constant and certain source of foreign exchange, and hence the only resource that can be relied upon from year to year as a basis for meeting service upon external obligations.

While these two sources of revenue will suffice to provide only a small proportion of the service at the present time, it may be pointed out that there is reason to believe that a revival in world trade may restore them, probably not to 1929 levels, but at least to the average level of the ten-year period from 1921 to 1930. If the present plan had been in effect during this ten-year period, there would have been available thereunder an average of approximately \$24,000,000 per annum for the service of the foreign debt.

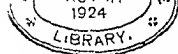
As a further feature of the plan, provision is to be made for the gradual retirement of the debt. The Government of Chile did not consider it proper to follow the policy pursued by many other governments at this time, namely to reduce interest rates to minimum percentages and then, covertly and without public announcement, to buy back as many of their obligations on the open market as it could at depreciated prices. Instead, the Chilean Government has openly announced its intention to devote half of the total fiscal revenues from the copper and nitrate industries to meet interest payments upon the foreign debt, and to employ the remaining half of this income for the retirement of the bonds by purchase in the open market.

The year-by-year purchase of bonds by the Amortization Institute is of real advantage to the bondholders. Although many of them are in a position to retain their bonds over a period of time and thus secure even greater returns, there are some who are forced by circumstances to liquidate, regardless of the market price. In the past it has been impossible to dispose of such bonds except at a ruinous sacrifice. Not only were prices low, but there was so small a market for these obligations that an offer of 10 or 20 bonds was sufficient to cause prices to fall to even more disastrous levels. The employment of substantial funds for the pur-

chase of Chilean bonds in the market would be more beneficial to the bondholders than a slight increase in the current interest rate. Further, the purchase of bonds will have the automatic effect of increasing the rate of interest payable with respect to the smaller amount of bonds thereafter outstanding.

Moreover, if world demand and world prices for copper and sodium nitrate improve — and it is sincerely believed in Chile that this will be the case — these repurchases and interest payments will increase at a rapidly accelerating rate. This is not a vague expression of hope based merely upon a desire to render the program attractive to creditors. On the contrary, it must be stressed that the economic well being of the Chilean nation, and even the very existence of its population, depends in a large measure upon the prosperity of those industries. In other words, Chile's own prosperity is as much wrapped up in the expansion of the nitrate and the copper industries as is the welfare of its creditors under the proposed plan of debt service. If world prices and demand for copper and nitrate increase to normal levels, it is not too much to forecast that ultimately those holders who have relied upon the continuing good faith and ability of the Chilean Government and who have retained their bonds to maturity will be rewarded by payment of the principal in full.

In no other way than by the allotment of the two great national sources of revenue and foreign exchange, as described above, and by the segregation of these revenues into interest and retirement funds, could the desired results be attained. When the program is studied in the light of all the present circumstances, our creditors and the public at large will, I hope and believe, realize that the Republic of Chile is not shrinking from very real national sacrifices in order to conclude the most equitable and just arrangements possible.



# POLAND: FREE, PEACEFUL, STRONG

*By Casimir Smogorzewski*

AT THE outbreak of the Great War in 1914, a war destined to change the whole aspect of the world, not one of the belligerent nations had any serious notion of restoring political independence and territorial unity to the Polish nation. When the war was over there stood Poland, a free and independent country. How could such an extraordinary thing ever have come about? To whom, to what, does Poland owe her return to the family of free nations?

To her inner sturdiness, first of all. In the spirit Poland never died. She survived all oppressions, she rose triumphant over all efforts to break her to pieces. She accomplished a social regeneration through the rise of a national bourgeoisie. She achieved economic prosperity. She increased her population. There were 8,000,000 Poles at the time of the third dismemberment (1795). There were 25,000,000 in 1914. At the critical moment, the Polish nation dashed with irresistible spontaneity into independence, finding leaders equal to the historic task which was set them. The world at large was not at all aware of the rich vitality of Polish life during the nineteenth century, and especially during the decades just previous to the outbreak of the Great War. France and the Anglo-Saxon countries knew virtually nothing of Poland. And not even Germany and Russia, who had greater reason to keep in touch with what was going on among their unwilling subjects, were any better informed.

It is true, nevertheless, that Poland would never have experienced her resurrection if it had not been for the concurrence of a number of extrinsic factors. Of these I will emphasize four, two of them operating negatively, two positively.

It will be remembered that during the first days of the war, and notably on August 14, 1914, Russia made an appeal to the heart of the Polish nation. It was not a disinterested appeal, it was a mere politico-military manoeuvre. All the same, it served to formulate the Polish question. No one is master of the imponderables in history. They "broke" in Poland's favor. This happened again with the Russian Revolution later on. One would hardly say that that cataclysm was altogether unforeseen. However, from the Polish point of view it came at the best imaginable

moment Further, there were grave mistakes in German policy during the war and these also contributed to the liberation of Poland Such a mistake was made when, guided by selfish calculation, and setting a low estimate on Polish shrewdness, Germany tried to muster recruits from Poland by instituting (November 5, 1916) what was called a Polish state but which lacked the qualities of statehood

The basic positive factor in the restoration of Poland was a development of moral ideas in Europe—the triumph of the principle that all civilized nations should be free, and the belief that this was one of the conditions essential to a durable peace Cracking under her war effort, in which her appetite showed itself much stronger than her stomach, Tsarist Russia dropped from the Allied ranks But her place was taken by the United States, and the deeper meaning of the war seemed to come to the fore It was thenceforward to be a struggle for deliverance In order for that principle to triumph, however, the Allied and Associated Powers had to win a victory in the field That victory figured in a very direct manner in the restoration of Poland All the same, the Allies made no formal adoption of the Polish cause till June 3, 1918 That was five months after the formulation of President Wilson's thirteenth Point It came, that is, at a time when the Polish cause was bound to win, whatever happened

Truths of yesterday, these! If I advert to them, it is in order to bring out certain of their implications for the future We are not forgetful of the fact that the United States, speaking through the lips of President Wilson, was more influential than any other Power in fixing the status of Poland in this new Europe, a Europe by all odds better than the Europe prior to 1914 We also remember that once she felt herself "freed of the so called help of her ally, oppressive Russia" (words of Clemenceau), France worked for the reconstitution of an independent and practicable Poland Yet how forget that as late as March 11, 1917, in virtue of a secret agreement negotiated by M Gaston Doumergue and signed by the late Aristide Briand, France found herself obliged to refer the fate of Poland to the good pleasure of Tsarist Russia? We have a kindly thought for Great Britain too, though down to the first weeks of 1917 she maintained a prudent reserve on the matter of Poland's future, and later on, less out of animosity or prejudice against Poland as such than in deference to her time-honored attitude toward affairs on the Continent, she opposed the crea

tion of a Poland that would be great and strong, because such a Poland, in the eyes of Lloyd George, would, unfortunately, be the natural ally of France! As regards Italy, that country had itself been born of the principle of nationality, and it was fighting in the war for the completion of its national unification. Italians therefore looked upon the Polish cause with brotherly sympathy. But at the Peace Conference, Italy was preoccupied with her own frontiers, and she played in everything touching Polish affairs a decidedly subordinate rôle.

The Polish people cherish sentiments of unalterable gratitude toward the nations that lent her effective assistance in her great labor of restoration. But they cannot overlook the fact that the only disinterested help came from the United States, a country that withdrew completely from European affairs the moment the Peace Treaties were concluded. As for the friendships and alliances that may have been offered to Poland, or which she may have concluded in Europe, they have been altogether determined by the respective interests of the contracting parties. Those interests may evolve, and, more than that, they may be variously interpreted. That is only natural. The foreign policy of a nation is not a mere whim meandering along the surfaces of life. It is not the caprice of a man or a party. It is the manifestation from day to day of the instinct of self-preservation. It is the composite result of the moral, geographic, demographic and economic pressures amidst which the nation lives and grows. The foreign policy of Poland is subject to those laws.

## II. POLAND AND GERMANY

It is Poland's destiny to be situated between Germany and Russia and to have to live independently of both of those two powerful neighbors. That fact is basic in the whole foreign policy of Poland. It determines her relations to her other neighbors. It has its influence on the ties that exist or may exist between Poland and the Great Powers that are neighbors of Germany and Russia.

On the matter of the Polish question during the war, Germany wavered between two policies, the one looking to a separate peace with Russia at the expense of Poland, conformably with the traditions of Frederick the Great and Bismarck; the other looking to the crushing of Russia and the creation of a buffer-state in Poland, conformably with the German patriotic tradi-



ity There are 724,000 Germans living in Poland at the present time There are 1,400,000 Poles living in Germany On that basis, Germany has a much greater interest than Poland in letting sleeping dogs lie

That fact has always been apparent enough to the Poles, but not to world opinion at large People abroad were inclined to consider the so called Corridor the most serious obstacle to a final pacification of Europe That is an oversimplified and erroneous notion, as the Poles strove to show in every way possible They argued that the present German-Polish frontier could not be considered to annoy or weaken Germany seriously, and that, on the other hand, if Poland were cut off from the sea by a German corridor the political and economic life of Poland would inevitably fall under German control They concluded by expressing their absolute resolve never to yield an inch of the territorial minimum that had been very justly restored to them As they patiently ran over the list of their moral and statistical arguments, they sometimes would succeed in getting a bored sort of hearing, more often their briefs would be dismissed with indifference Now and then—and that was especially the case in France—they would be told that they should "be reasonable," and being reasonable meant to give up the Corridor

Chancellor Hitler's régime was received with marked reserve in Poland The Poles could not guess how he would set about giving effect to the first point in his platform, which called for the 'reëntry of all Germans into the bosom of a Greater Germany' We had noted that in "Mein Kampf" he had said nothing particularly offensive about Poland, but it was well remembered that one of his friends, advisers and lieutenants, Alfred Rosenberg, had expressed the opinion that "the elimination of the state of Poland was one of the basic postulates" of the Greater Germany On February 15, 1933, Marshal Pilsudski, the great realist who has directed Polish policy since 1926, warned the government of the Third Reich through Joseph Beck, Polish Minister of Foreign Affairs, that "Poland's attitude towards Germany and German problems would always be the same as Germany's attitude towards Poland," and he added that "practically speaking, the situation in that regard depended much more on the attitude of Berlin than on the attitude of Warsaw" And since the advent of Hitler resulted at once in a new outburst of

anti-Polish agitation in Danzig Marshal Pilsudski during the night of March 5-6, 1933, reënforced the detachment of Polish soldiers that has been guarding the military basin at Westerplatte in the Danzig harbor. While Geneva began poring over the voluminous law library that has been built up around the Danzig question, Berlin caught the point in a flash and Hitler saw that Poland would not tolerate any surprise seizure of Danzig, or of any other place, and that she would give an energetic answer to any German move that affected the *status quo*. Hitler therefore had to make up his mind either to continue the irritations that had already isolated Germany and that were leading to unpredictable results, or to put a halt to them and to try to create a healthier atmosphere in German-Polish relations. He chose the latter course. Speaking at Königsberg on May 27, 1933, on the eve of the elections to the Danzig *Volkstag*, Hitler succinctly declared that "National Socialism renounces those policies aiming at a modification of national frontiers at the expense of other peoples."

Poland has always desired not merely peace with Germany but, if possible, a friendly neighborliness based on mutual respect and confidence. No Chancellor of the Weimar Republic had the courage to set out along that road. Could the Poles sit speechless and deaf when Chancellor Hitler proposed that we work together for an improvement in the German-Polish situation? We might, at the most, have returned an evasive answer just to gain time and to see whether the National Socialist régime was destined to an early collapse. But we were the first to understand, since we knew our Germany, that that régime was going to endure. We therefore accepted Chancellor Hitler's suggestion and on January 26, 1934, signed a ten-year non-aggression treaty with the Third Reich. That was an historic document, closing a whole epoch of German-Polish relations.

What are the terms of that treaty? In Article I the two governments note that "the moment has come to begin a new phase in diplomatic relations between Poland and Germany." That "new phase" is to lie, at bottom, in a settlement by direct communication "of any sort of question that has a bearing on their mutual relations." In the quest for such solutions, or in any eventual case of dispute, the two governments "under no circumstances will resort to arms," since their purpose is to "strengthen the good relations that should obtain among neighbors." In

case direct negotiations fail, resort may be had to "procedures provided for in other agreements still standing between the two parties" (the Locarno Pact, for instance) It is obvious that no territorial questions are to come up under this procedure, since "in accordance with international law," such questions "must be considered as belonging strictly to domestic affairs" Finally, the international agreements that may have been undertaken "by either of the parties" are "to be held as not incompatible" with the text of the German-Polish declaration This important proviso not only leaves Poland's alliances intact, it also guarantees her complete freedom of action as a member of the League of Nations Poland used this freedom on April 17, 1935, when she joined the other members of the League in their resolution censoring German rearmament and unilateral rejection of the clauses of the Versailles Treaty

This agreement, which is altogether above criticism, does not, as is sometimes alleged, carry any secret addenda All the talk that has appeared on that subject in the press of the various countries is false and ridiculous It has been said that Poland has given a free hand to Germany in Austria, or that Poland has agreed to follow Germany in some move or other against the Soviet Union I am not denying that a number of public utterances by prominent National Socialists betray the existence of hopes in certain German quarters with regard not only to Austria but also regarding the Baltic States and the Ukraine Time and a sensible policy alone can show the Germans the fatuousness of any project that brutally ignores or sacrifices the rights of other peoples But in any event it is carrying ingenuousness too far to imagine that because a few Germans harbor a certain idea Poland is going to adopt it or anything like it The *Anschluss* can be prevented, but only by force Since Poland is not one of the Powers most directly interested in the fate of Austria, she not unnaturally leaves to someone else — Italy, for example — the privilege of carrying that enterprise through One would need to be morbidly suspicious to foresee Polish and German soldiers on the march toward Moscow and Kiev There can be but one policy for Poland towards the east Spaces are wide and open there, but there is no room for two simultaneous tactics For years Poland has been trying to bring about a permanent understanding between herself and the Soviet Union The Warsaw government would not choose just the moment when such efforts are about

to bear fruit to succumb to some will-o'-the-wisp in the direction of the Ukraine.

### III. POLAND AND THE SOVIET UNION

Imperial Russia certainly never did anything to deserve the sympathy of the Poles. The Polish nation joyously welcomed the fall of the Tsarist régime and sincerely welcomed the establishment of a liberal democratic government in Russia. A government of that type could only pronounce in favor of Polish independence, and this in fact the provisional republican government did on March 30, 1917. But it was overthrown by the Communists on November 7 of the same year. Hoping that a similar revolution was in the offing in Germany, the Bolshevik leaders called for immediate peace on the basis of the self-determination of peoples. That was the origin of the ephemeral treaty of Brest-Litovsk. Furthermore, in a proclamation issued on August 29, 1918, the Soviet government annulled all "annexationist" treaties that the Tsarist régime had concluded. The treaties on which the dismemberment of Poland had rested were abrogated by that act, and Russia restored the Polish nation, so long dispossessed, to its sovereign rights.

However, on the collapse of the Central Powers, and quite inconsistently with principles which she had herself proclaimed, Soviet Russia did not hesitate to throw her troops westward upon Warsaw. That was the occasion for the outbreak of the Polish-Soviet war. It ended in 1920 with a decisive defeat for the Reds. The victory was largely due to a leader of genius, Marshal Pilsudski, and to a fine group of junior officers who had been trained in the Polish legions.

To restore reasonably courteous relations between Poland and the Soviet Union was a long and difficult process. From the ethnic standpoint, the territories which are strictly Russian are separated from those which are strictly Polish by a mixed and, on the whole, not very prosperous region which is sparsely settled with a White Russian-Ruthenian population in the north and by Ukrainians in the south. However, here and there in that zone one finds (to say nothing of a general civilizing influence of Poland) districts with strong Polish minorities or even majorities. A frontier running on the line of Riga through this mixed territory was therefore a compromise that gave Poland security without affecting her character as a national state in which

Poles were indisputably the prevailing element. Had the Polish delegation at Riga so chosen, it could have drawn the new frontier much farther to the east, for at that time the Soviet representatives were only mildly interested in territorial questions. All the frontiers which they were then establishing with their neighbors were, in their eyes, temporary expedients. The world was soon to go Bolshevik — peace was just a truce. War with the capitalist world was to go on, though there might be changes in the character of the "front."

As long as Moscow was nothing more than the world center of revolutionary propaganda, relations between the Soviet Union and its neighbors were very strained. But by 1927 the tendency represented by Joseph Stalin definitely gained the upper hand as against the tendency represented by Leon Trotsky. Moscow dropped the idea of Bolshevizing the world, for the nonce at any rate. Meantime the Soviet Union was to be socialized, agriculture was to be collectivized, production was to be organized, Russia was to be turned into an industrial country and was to become a great economic Power altogether independent of the capitalist world. Stalin's triumph was a triumph for peace, for Moscow's best efforts were now to be absorbed in internal tasks. From that moment normal relations between the Soviet Union and the other Powers became possible.

Poland watched developments in her neighbor to the east with an attentiveness that may readily be imagined. Nor did she let the favorable opportunity slip by. Reviving a negotiation that had been hanging fire since 1926, the Warsaw government signed a non aggression pact with the Soviet Union on July 25, 1932. That agreement provided that "any act of aggression affecting the territorial integrity and inviolability or the political independence of either country" would be considered contrary to the pact, and each party pledged itself "not to participate in any accord or agreement that was overtly hostile to the other in respect of aggression." Furthermore, on July 3, 1933, Poland and the Soviet Union signed a collective agreement that gave a very comprehensive definition of the term aggression. So a wholly new atmosphere came to prevail in the relations between Moscow and Warsaw.

In February 1934 Joseph Beck paid an official visit to the Soviet capital. The government of the Union overlooked nothing that could serve to emphasize the importance it ascribed to the

first visit of a Polish Minister of Foreign Affairs. Messrs. Litvinov and Beck readily agreed that maintenance of the *status quo* was the best contribution the two countries could make to peace in Europe. It was also decided to raise the legations in Warsaw and Moscow to the rank of embassies (that example was followed in Berlin and Warsaw in October 1934). The pact of 1932 had been made to cover three years. The subject of extending that period was broached at the time, but no final conclusion was reached. Mr. Beck was willing to accept Mr. Litvinov's suggestion that the pact be prolonged by ten years, but to strengthen mutual trust between the two countries he asked Moscow to make an end to an old manœuvre that went back to the days of Tchitcherin as a device to prevent Lithuania and Poland from reaching agreement. We cannot go into that matter here; but the moment the Soviet government declared its readiness to recognize the present Polish-Lithuanian frontier, Poland signed the protocol that extended the nonaggression pact of 1932 to December 31, 1945.

The signing of the non-aggression and the London pacts were just two among many acts that had expressed Poland's sincere desire for mutual confidence in her relations with Russia. But the Moscow government could not rest content with that very notable achievement. Looking feverishly about in Europe for diplomatic successes that were eluding his grasp in Asia, Mr. Litvinov now suggested to Warsaw through the French government a mutual assistance pact of a definitely anti-German cast. One of the motives underlying this suggestion must undoubtedly have been a desire to prevent the normalization of German-Polish relations. This suggested pact is a favorite theme, also, with people who can think of Poland only as an ancillary Power that can justify its existence merely as an instrument of the policy of some Great Power. That is not the Polish view. Poland does not intend to be anybody's plaything. Much less does she want or need the support of one great neighbor against another. Both east and west what she wants is coöperation and good will.

Such a frank and simple attitude in diplomacy is very hard to grasp; for, as the French say, "one generally loves against somebody." But the fact is that, covered by her treaties, Poland does not feel particularly menaced. Being a liberal "bourgeois" state she finds it hard to picture an internationalist and communist Russian army shedding blood for Polish frontiers or Polish ideals. On the other hand, she sees the reverse side of the proposed

mutual assistance pact. An "Eastern Pact" would put an end to the Franco-Polish alliance, since French policy toward Poland, at least at critical junctures, would have to follow Russian lead, and that would give Moscow a sort of protectorate over Polish policy. We will have none of that.

#### IV POLAND AND FRANCE

France and Poland have common interests, that is obvious. An alliance between them is in the nature of things. The Poles love France, and they realize that a powerful, prosperous and independent France is necessary to Europe and to the world. All that Poland asks of France is that France shall take accurate account of the position of Poland in Europe and especially in East Central Europe. Poland's present policy is aimed at putting her alliance with France on a sounder footing.

Poland has not been satisfied with the way the alliance has worked since 1925. While France could always be sure that in case of a German attack Poland would support France with all her strength, Poland had grave apprehensions about what would happen in the reverse situation. While the utility of the alliance was never questioned in Poland, one could collect a whole library of articles, books and pronouncements by more or less prominent Frenchmen calling for the abandonment of the alliance on the ground that the "Corridor" might some day drag France into war with Germany.

The language of the Locarno agreements and the modest place assigned in them to Poland gave us the sense that the Franco-Polish alliance was losing sinew. We got the impression that the intentions of the alliance were being obscured in the course of developments at Geneva, and that the promise of automatic and immediate military aid to Poland was being weakened. Poland, of course, has never been hostile to an improvement in Franco-German relations, but she felt that that improvement should strengthen and stabilize peace in the east as well as in the west. Now Locarno made a distinction as regards western and eastern frontiers. World opinion was allowed to infer that some frontiers were definitely settled while others were not. It was after Locarno, in fact, that Germany began to develop her propaganda against Poland, while in France a tendency to regard Poland as a pawn in French policy became more and more accentuated. The very term "alliance" as applied to the relationship with Poland dis-

appeared from official language, and was revived only by the late Louis Barthou. Everything seemed to indicate that France regarded the alliance as binding on Poland but optional for herself.

A clear indication that the French were moving toward an understanding with Germany was given when the date for the evacuation of the Rhineland was set forward. Of course, Poland had no objection to that, in principle; but she had no success in bringing the late Aristide Briand to see that the early evacuation should be made to imply some better guarantee of Polish security. Furthermore, most of the suggestions which France laid before the Disarmament Conference at Geneva were drawn up without previous accord with Poland, her strongest military ally. M. Paul Boncour proceeded in the same fashion in December 1932 when Germany was accorded equal rights. Then came the Four Power Pact, which shook the foundations of whole-hearted collaboration between France and Poland profoundly. The original draft of that agreement implied a virtual repudiation of the Polish alliance. Later on, in view of opposition in Poland and other interested countries, as well as in many sections of French public opinion, the text of that accord was amended, but the principle that certain Powers had the privilege of leadership remained, and that principle Poland could not recognize.

This gradual lapsing of the Franco-Polish alliance was sorrowfully contemplated in Poland. Poland could see the soundness of the view often expressed in Paris that a weak and cramped Poland was a danger to France, and the Warsaw government did everything it possibly could to normalize relations with Germany and the Soviet Union on the basis of complete equality. It was considered strange that that frank and open policy should then cause dissatisfaction and criticism in France. I cannot say that the present diplomatic situation in Europe is altogether favorable, but what Poland has done may certainly be taken as consolidating peace and increasing confidence. She has relieved France of serious causes for worry. And she is still the ally of France. That does not justify her in resting the whole weight of her security upon France. And if French opinion does not see that, it is because French opinion does not see that the day when Poland could be thought of as a mere satellite of France has passed.

Instead of working to restore the old cordiality in Franco-



Polish relations, French diplomacy at present seems to be bent on making us regret our taste for independence. Polish statesmen have been attacked in discourteous not to say improper language in the French press. Even my French colleague Pertinax is counted among those polemicists who have tried, needless to say to no purpose, to represent the current Polish policy as reflecting merely a personal attitude of Marshal Pilsudski and Mr Beck.

Such was the atmosphere in which the idea of the Eastern Pact was first launched. Since it concerned a region where Polish interests are vitally involved, France might have thought it natural to be sure that Poland, her ally, was in accord. Actually, however, the negotiations began in a quite different manner. The late M. Barthou paid a visit to Poland in April 1934. That was the first visit Poland had had from a French Minister of Foreign Affairs. Why did he come to Warsaw? To restore trustful co-operation between the two powers? Hardly. He was the personification of courtesy, but as for his diplomatic plan, he merely requested our adherence to the strange contraption that had issued from the lively imagination of M. Litvinov.

If we accept the Eastern Pact, the Franco-Polish alliance comes to an end, to be replaced with a Franco-Russian alliance, and the Polish army will simply be lining the roads to salute the passage of the new 'steam roller'. If we refuse, we shall be accused of plotting with Germany, with dark designs upon the peace of Europe. We can do nothing, therefore, but hope that France will in the end bring herself to appreciate the seriousness of our diplomatic and psychological objections to the Pact.

France is, in fact, beginning to understand the Polish point of view. After several months of hesitation and reflection, M. Laval, successor to M. Barthou, has concluded that the Eastern Pact must be abandoned. In its place he is wisely substituting the method of bilateral treaties of mutual assistance. At the moment of writing a treaty of this sort is being negotiated between France and the Soviet Union. The treaty between the U. S. S. R. and Czechoslovakia will be its reply. Poland has no objection in principle to such agreements provided they contain no clauses hostile to her and provided M. Laval revivifies that other bilateral treaty of mutual assistance, the Franco-Polish alliance, first formulated on February 19, 1921. The two Powers agreed therein to confer on all questions of foreign policy affecting the two states, and also signed a military convention. In

December 1925, within the framework of the Locarno treaties, the two governments signed a treaty stipulating that in case of unprovoked aggression each would come to the other's aid. Should M. Laval choose to renew this treaty he can count on the full coöperation of Polish statesmen.

#### V. POLAND AND GREAT BRITAIN

Great Britain after the Armistice endeavored to reëstablish a balance of power on the Continent. She felt that this would be a guarantee of peace and also a prop to her own hegemony. To this dogma Britain added that of the economic interdependence of peoples, in accordance with which it was thought necessary to bring about the recovery of Germany and Russia as a preliminary to the resumption of economic activity in Britain. This policy affected Anglo-Polish relations even more than that of the balance of power. Moreover, many Englishmen were critical of the assumed ineptitude of Poland to utilize her immense natural resources, and by contrast they extolled the superior organization and technique of Germany. This mentality goes far to explain the opposition which Poland's just claims in Upper Silesia met with in Great Britain.

The new British evaluation of Poland's position and capabilities is one of the most important changes in post-war Europe. The fact is that Poland's energy and patriotism in both domestic and foreign matters have impressed the British. Her efficient foreign policy has been noted in particular, and her moderation has been interpreted not as a sign of weakness but as proof of her self-confidence. The recent visit to Warsaw of Anthony Eden, Lord Privy Seal, is the latest manifestation of Britain's increased respect. It was the first official visit of a British statesman. In that connection the London *Times* approved editorially of Polish hesitations to accept the Eastern Pact, asserting that Poland's motives, unlike those of Germany, are not subject to the suspicion that she wants to keep the way open for eastward expansion. At Warsaw it was explained to Captain Eden that Poland opposed the Eastern Pact because it could be regarded as an attempt by France to free herself of her obligations toward Poland and pass them on to Russia. If the guarantee of Poland had been shared by Great Britain, it would have been a different story. But as everyone knows, London will give no guarantees beyond the Rhineland. Great Britain is quite right in refusing to assume

obligations along the Vistula Why, then, should Poland be asked to guarantee the *status quo* along the Danube?

#### VI POLAND, THE LITTLE ENTENTE AND THE BALTIC STATES

The Little Entente was founded early in 1921 with the idea of holding Hungary in leash and keeping an eye on Austria Those limited objectives were of no particular concern to Poland, and in fact the question of her joining never came up Czechoslovakia, Rumania and Jugoslavia could count forty four million people between them That should have been enough to deal with eight million Hungarians In 1923 Poland proposed enlarging the Entente into a Quadruple Alliance to guarantee peace not only on the Danube but along the Vistula The suggestion was curtly and sarcastically rejected in Prague Our Czech neighbors at that time regarded us as embarrassing allies in view of the double threat against us from Germany and the Soviet Union Messrs Masaryk and Benes thought it discreet to leave us to our fate

That attitude of the Czechs goes back to their idea of the future of Eastern Europe at the time of the Great War They then prayed for a Russian victory, in the hope that Russia would be the dominant power in the East, with Czechoslovakia as her outpost in the very heart of Europe They wanted Poland to be free, but small Eastern Galicia would be a Russian province and they hoped to get sub Carpathian Ruthenia for themselves That would give them a common frontier with Russia They took Poland so lightly that in January 1919, without waiting for the decision of the Peace Conference, they tried to seize by force the territory of Teschen, then in dispute between the two countries In July 1920, when Poland was staggering under the impact of the Red invasion, M Benes succeeded, with the help of Mr Lloyd George and the late M Berthelot, in forcing an unjust compromise upon Poland, whereby 110 000 Poles were left on the Czech side of the frontier That hardly made for an atmosphere of trust Poland wishes no harm to Czechoslovakia She wishes her peace and prosperity

In the Balkans Poland has few political interests The only Balkan capital where Polish diplomacy is active is Belgrade Poland likes and admires Jugoslavia On September 17, 1926, the two governments signed a pact of friendship in which they agreed to consult on those matters of foreign policy which they consider of common interest

Poland is bound to Rumania by a treaty of alliance signed on March 3, 1921, made more definite on March 26, 1926, and renewed January 15, 1931. The two countries undertake "mutually to respect their territorial integrity and governmental independence as at present constituted, and to maintain them against any attack." That alliance makes Poland the only country that has pledged itself to uphold Rumania's possession of Bessarabia, as the agreements involved in the Little Entente do not extend to the Russo-Rumanian frontier. Of late, to be sure, the Bessarabian question has lost some of its acuteness. In negotiating its non-aggression pact with the Soviet Union, the Polish foreign office took it for granted that Rumania would sign a similar pact at the same time as Poland. It is a matter of common knowledge that the reason this was not done was because of pressure exerted at Bucharest by certain French groups.

Maintenance of the independence of the Baltic States is a constant principle in Poland's foreign policy. Her relations are cordial with Esthonia and Latvia, but not with Lithuania. That country still refuses to recognize the international character of the Polish-Lithuanian frontier and clings to its unjustifiable claim to Vilna and the Vilna district, where no Lithuanians, virtually, are to be found. Basic in the Vilna settlement of March 15, 1923, were (1), a formal plebiscite of the inhabitants affected; (2), a decision of the League Council; and (3), an unqualified request from Lithuania to the Great Powers that they draw a frontier between Poland and Lithuania. The settlement is therefore binding upon both parties. If it is Lithuania's choice to have no relations with Poland, whether diplomatic, postal or by railroad, she is free to do as she pleases. Poland can manage to do without. But it must be plain that Poland can assume no obligations regarding Lithuania over the roundabout route of an Eastern Pact. When Lithuania has exhausted all possibilities of diplomatic intrigue, she will probably come around to the view that normal relations should obtain between her and Poland. There could be no better guarantee of Lithuanian independence than Poland's friendship.

#### VI. SO THEN

Poland is equipped with all the moral and material requisites for becoming once more the Great Power which she was in the fifteenth and eighteenth centuries. She is unfalteringly determined to resume her proper rôle and position in Europe. She has

two convictions. She must not be a passive pawn in European diplomacy, but an active element. She must have a government that is at once strong and fair, guaranteeing both authority and liberty.

Under the first head, Polish policy is inspired by what might be termed "constructive pacifism." Devoted to the League of Nations, Poland is suspicious of high sounding general formulas that represent fictitious progress and give the nations an illusory sense of security. There can be no absolute guarantees of security, any more than there can be transcendental guarantees of political and territorial integrity. Poland knows that better than anybody else. In the eighteenth century three of her rapacious neighbors decided to dismember her, taking advantage of the very treaties of guaranty which they had concluded with her. At that time no one came to her aid. The Eastern Pact of that day worked in such a way that her three guarantors came to an agreement to attack and devour her!

Security, independence, territorial integrity — these are things that one must defend with one's own might, and constantly defend, since the risk and the threat are everlasting. Any organized security resting on *bona fide* disarmament and on universal co-operation against any aggressor still remains a distant ideal.

After fifteen years of life, the League of Nations has not succeeded in effecting uniform obligations for all its members in the matter of protecting minorities. Poland filed a demand for such uniformity as early as 1921. After waiting thirteen years in vain, she declared at Geneva in 1934 that, "pending the establishment of a general and uniform system, the Polish government would be obliged to reject any collaboration with international organs as regards the application in Poland of the system of minority protection." The present system is unfair and unworkable, it requires revision from top to bottom. In making that statement Poland did not attack the principle of the inviolability of treaties. Mr. Beck clearly stated that "minority interests are and will be protected by the constitutional laws of Poland." She merely suspended the operation of a clause that had become inapplicable — the same unilateral procedure that England, France and other Powers adopted when they suspended service on the war debt to the United States. Personally, I am not so sure that the best procedure for the future lies in the generalization of agreements as to minorities. I am inclined to think that the

absorption of minorities is more practicable. The minority treaties are temporary measures, and must eventually give way to constitutional guarantees according equal rights to all citizens. In any event such guarantees must be uniform in all civilized countries.

Under the second head, we postulate the principle that a strong government is the basic guarantee of national security. We have had such a guarantee in Poland since May 15, 1926. Surrounded by a young élite, Marshal Pilsudski has been governing in accordance with principles that follow no foreign example, emanate from no foreign doctrine, but find their source in the conditions of Polish life itself. Have we a democratic or a dictatorial form of government? The Polish nation can express its opinions. Opposition parties have not been dissolved. There is freedom of thought, freedom of speech, freedom of press and assembly. But Marshal Pilsudski is in the saddle. The answer is that we have a democratic system where the government is strong. Strong democracy, I believe, is the form of government that distinguishes our moment in history.

Peace with all the world but full independence at home — such are the objectives of Polish policy. The Polish people are full of hope. They expect to succeed. They want to see their rôle in Europe enlarged. Some are astounded by such candor. Others are annoyed by what they call such arrogance. Others are merely suspicious. All of them have the habit of thinking that the restoration of Poland was due to chance and that she may soon disappear. They have not grown used to the fact that Poland both exists and will endure. Poland is not a "bridge head," she is not a "buffer state," she is not a "satellite." It is hard to say where is the dividing line between the small state and the Great Power. One thing, however, is certain. Poland is not a small country that has been magnanimously liberated and in exchange is in duty bound never to manifest a will of its own. Poland is an important state, loyal to her alliances and grateful for services actually rendered. But she is just as firmly resolved that affairs that concern her shall not be discussed and disposed of apart from her. She feels, in a word, quite competent herself to manage her own relations with all other Powers.

# SILVER, EAST AND WEST

*By H. B. Elliston*

THE ups and downs of silver have been more marked than those of any other commodity. Silver led the way in the world decline of prices. Recently it has shot up faster than any other. In the current upturn, as in the previous downturn, economic influences are deferring to such mighty political forces that the metal has become more a football of international politics than an element in world commerce. Silver has turned completely irrational.

Today the chief movement in silver is the political drain on China's stock. The last time this writer commented on the subject in this journal he was describing a political influx of silver into China.<sup>1</sup> That was in early 1931. China had already displaced India as the world's greatest silver consumer. It was the recipient of two flows of silver. As the only great country left on the silver standard, it was taking silver in payment of its consistent balances against the world, just as gold standard countries take gold. Moreover, it was absorbing surplus as well as trade silver. The surplus was derived both from the progressive debasement of silver coinage in European countries as a result of the high war-time price of the metal, and from the demonetization of silver in the Oriental world. India's decision to go on the gold bullion standard in 1927 made that country the chief market factor. Left over silver was being dumped into silver standard China in such quantities that in 1930 the Nanking Government had actually put an embargo on the import of foreign silver coin and was contemplating the imposition of an import duty. This was the situation when the silver party in the United States suddenly conceived the notion of lending silver to China.<sup>1</sup>

So quickly did the world situation change, however, that within a year China's balance of payments turned unfavorable. Consequently it was called upon to pay out silver on trade account. There was no question now of a silver loan to China. Just as China's trade position had changed, so had silver politics. Last year the time arrived when the United States Government decided not only to absorb the entire output of American mines but to appear as a buyer in world markets as well. Just as an arti-

<sup>1</sup> FOREIGN AFFAIRS, April 1931

ficial factor had formerly intensified the suction into China, so after 1931 an artificial factor intensified the natural exodus.

The Silver Purchase Act of June 19, 1934, had for its object the steady accumulation of silver in American vaults until one of two alternative objects had been reached. One was a price of \$1.29 an ounce. The other was a one-to-three silver-gold ratio in the metallic reserves. At the time both goals seemed so far distant that a wit declared that the policy had the effect of making the United States Treasury underwrite a perpetual bull market in silver. The same remark could have been offered on the bear side in regard to Indian government sales after 1927. In comparison with the price aim of \$1.29 the current market price in June 1934 was 45 cents; and, measured by gold holdings, there was room in the American vaults for upward of 1.3 million ounces of silver, or seven years' output from the mines of the world.

At first world speculators did not take the Silver Purchase Act seriously. Had not Secretary of the Treasury Morgenthau just pleaded with Congress for a year's breathing spell from monetary legislation? Was not the law preceded by counter-arguments in administration circles against the silver arguments advanced on Capitol Hill? Even when the silver pressure became irresistible, did not the law merely express a compromise with Congress in which the President retained final authority in action? To the public the law appeared in the guise of another Thomas inflation amendment — very permissive. Silver purchases were left entirely to the President's discretion. Perhaps Mr. Roosevelt, feeling that the silver pressure was a depression manifestation (as he had every historical reason to feel), thought that as recovery progressed he might be able to put the authority away in cold storage. But the business indexes in midsummer of last year went down. So in August the purchase of silver got under way.

To date Mr. Morgenthau has acquired in the government vaults 400,000,000 ounces, of which 250,000,000 ounces have been bought abroad — a drain on foreign countries in nine months which is in excess of a full year's output from world mines. Yet as gold has also been entering the United States in about a 1-3 ratio, little progress has been made in attaining the quantity goal. The price goal is within easier reach. As a result partly of the purchases, but mainly because of the possibility of much more to come, the market price by April 26 had bounced up to 81 cents.



The Silver Purchase Act has created a furore wherever silver is used. To producers everywhere the rise in price has been a godsend. Mexico as the world's chief producer is the chief beneficiary. The hasty airplane journey of a Mexican official to Washington in April might give a contrary appearance. But the Mexican trouble lay in a temporary derangement of the external value of the "managed" Mexican currency as a result of the swift rise in price of silver beyond the melting point in the Mexican coinage. Either the peg on the peso's external value would have to be relaxed or the coins would have to be withdrawn from circulation internally and from contact with market prices externally. Mexico chose the latter course. It clamped an embargo on silver coin exports, called in the circulating silver and exchanged paper money for it. It seemed a short, sharp crisis. Offsetting it was the beneficent effect of the price rise on the product of Mexican mines.

The same profit in high silver prices inures to what the trade calls "other supplies." Silver is one of the few commodities that do not disappear in consumption — output simply flows into a pool of existing accumulations. It is these "other supplies," or above ground "mines" in coinage, hoards, public and private treasuries, and ornaments, that are of main importance to the future of silver. If the price of silver goes up, the price of these stores must go up equally with currently mined output. Since 1492, according to the United States Mint, 15 billion ounces of silver have been mined. Of this amount probably about 3 billions have been lost, the greater portion in Davy Jones's locker along with the gallants who sailed the Spanish Main. That would leave 12 billion ounces. Much of this stock was mined on the American continent. But most of it found its way to the Orient, where no silver is produced, in exchange for Oriental wares.

Early Americans aided considerably in channelling the mined output of their continent to the East. The seafarers among them laid the foundation of many a New England fortune in the China trade. Their perennial problem was to find something besides silver to exchange for Chinese merchandise. It was not uncommon for the clippers to sail out of Salem with only ballast in their holds, loading up with "pieces of eight" in European ports for the long voyage to China around the Cape of Good Hope. Dr. Tyler Dennett, in his "Americans in Eastern Asia," tells a vivid story of the nature of the trade merely by citing a merchant's

books. He records the business of New York's leading export house trading with China in one year as: specie, \$900,000; British manufactured goods, \$356,407; American products, furs, ginseng, etc., \$60,000. He also mentions a House Committee report in the previous year as saying that "the whole amount of our current coin is probably not more than double that which has been exported in a single year to India, including China in the general term." As a result, one finds today that the yuan (Chinese dollar) is still called the Mexican dollar, or "Mex" in colloquial parlance. What happened in the case of China happened also in India as the result of the operations of the East India Company. Thus the riches opened up by Cortez and Pizarro went to Europe, stayed long enough to produce a succession of commodity price crises, and drifted on in great part to the Orient.

Perhaps the total amount of silver in India and China at present reaches as much as 6.5 billion ounces. That would be over half of the total world stocks of 12 billions. By comparison, Mexico produced only 75 million ounces of the 181 million produced last year. If Mexico stands to benefit from the enhancement of the price of silver, India and China stand to gain in even greater measure, but only, of course, if they sell their silver and if the price gain is not neutralized by currency disorders.

India would be the bigger gainer, for it has fully 4 billion of the 6.5 billion held there and in China. The store is in two forms, caches and the silver rupee. The rupee in its international relations is bound to the paper pound. Its foreign exchange value, therefore, has nothing to do with the price of silver. But in India the rupee circulating in silver is the favored currency for internal transactions. Even the note issue is still convertible into silver rupees. In 1926 the Hilton Young Commission, in recommending that rupee coins be gradually superseded by notes, proposed the removal of the legal obligation to convert notes into silver coin. The recommendation has never been carried out. Though the use of paper money is spreading slowly, the Indian people's suspicion of notes is pronounced, and might perhaps amount to a boycott if those notes were made non-convertible.

Silver as a medium of payments, however, is overshadowed by the function of silver as a bank. Banks as the West knows them are esteemed just as little as paper notes. Many Indians put their savings into silver as in a bank and investment combined. It ought not to be difficult for Westerners to appreciate this attitude to-

ward metal as a *store* of value. Many great firms in Europe are today investing their surpluses in actual gold. Just after the Michigan bank holiday, Henry Ford told the writer that people were trusting automobiles as a better repository of savings than banks. The Indian people are perennially in a similar situation.

The silver in India has still another attribute. It is more than a bank, more than an investment, it is a choice asset. An occidental collector of old books buys them as a permanent investment as well as an esteemed possession to be handed down to his descendants. Your true bibliophile does not part with an item in his collection simply because its market value goes up in terms of money. He sells only when he is in need. Much the same reasoning could be applied to the Hindu and his silver. He has altogether a different feeling from the one animating a silver miner in Mexico, the American West, or Canada, who looks upon silver only as the cash reward for his labor.

One must not be too dogmatic on this point. The fate of those who dogmatized similarly about gold is fresh before us. Before 1932 the same statement in regard to gold was made by most commissions and authorities on gold. In every textbook you will find India described as a "sink" or a "sponge" for the precious metals. But in 1932, to the astonishment of the monetary world, India started to disgorge gold, a flow which caused more than one economist, thinking of the way out of the depression as conditioned by cheap and abundant money on the basis of enlarged gold reserves, to predict that the world depression was over. The war is still being waged over the question whether the outflow was due to necessitous selling or the eagerness of the people of India to take advantage of the premium on gold created by Britain's (and therefore India's) severance from the gold standard. Perhaps both arguments are correct. World demand for Indian agricultural commodities fell sharply. Therefore the people had to dispose of their gold in buying necessary wares. Also the rajahs and speculators in India saw an opportunity for making a handsome return on gold. The outflow has since been due to the necessity under which the Indian Government finds itself to export the metal in supporting a currency that seems to be overvalued.

The question is: Would private silver come out like private gold if there were the same price incentive? Such a result is less likely. India, like Britain, seems to be past the nadir of the de-

pression. Moreover, silver is the poor man's gold, and, consequently, is less likely to be held as an investment to be turned into cash at the behest of price. There has already been enough experience to warrant this statement. Silver has doubled in price since the silver policy started, nevertheless no private silver has yet come out. Such is the Indian love for silver that distress would have to be fairly acute before the non-speculative Indian would part with his silver caches. He would cling to them with the same tenacity as a hard-pressed occidental clings to the family homestead.

While the price-boosting is certainly advantageous to the Indian people (and, it should not be forgotten, to the surplus-owning government) in increasing the value of their silver collections, it will not necessarily be advantageous to their purchasing power at home or abroad. It is this argument, it may be recalled, that the silver party have used as one of the many arguments in favor of silver buying. What advances Indian purchasing power is a greater absorption of the country's export commodities, such as jute, shellac, cotton. With the proceeds of these sales the people of India buy the industrial goods of the West — and silver. They do not buy foreign industrial goods with silver. Indeed the writer last year said that, far from exchanging their silver for industrial goods, the people of India might curb buying those industrial goods if economic adversity made the choice one between those goods and silver.<sup>3</sup> One caveat to that statement needs now to be entered. While the price of silver has been moving up, speculators in India have been among the most active competitors with Mr. Roosevelt for world supplies, the object being to unload their purchases on the United States when the price "ceiling" gets nearer.

What is of greatest moment in connection with the effect upon India of soaring prices for silver is not the effect on India's purchasing power. It is the possible effect on India's currency. A melting-point crisis would be much more serious in India than it was in Mexico. At this time, when India is being launched upon the delicate sea of self-government, it might have tremendous consequences. One can imagine the India Office in London, therefore, watching the silver experiment in Washington with the greatest apprehension. One rupee contains about a third of an

<sup>3</sup> Address before the American Association for the Advancement of Science, at Pittsburgh, December 29, 1934.

ounce of silver, and the melting point would therefore arrive when (at the existing exchange rates) silver goes a little over \$1 an ounce, that is to say far under the \$1 29 authorized by Congress. What will happen in India when the price begins to approach the dollar mark?

This question has aroused the liveliest discussion. In a long cable from London appearing in the *New York Times* of April 21, Mr. Frederic E. Holsinger, former managing editor of the *Indian Daily Mail*, Bombay, says that there would be three ways out of a melting point crisis: (1), to raise the rupee sterling rate from 16 pence to 24 pence, (2), to reduce the quantity of fine silver in the rupee, and (3), to raise the gold (meaning also dollar) rate of the pound. He indicated that the third course would have to be followed. He is plainly in favor of it. To him the entire silver policy appears in the guise of a club with which to "persuade" Britain to raise the pound to \$5. What a pass we have reached as a result of "devaluation competition" and monetary competition that we should be talking in terms of clubs fashioned so crudely! Certainly it could not force a change in British monetary policy. For management of the gold value of sterling (and therefore of the rupee) is dependent upon a dozen considerations superior to or equal to the Indian exchange rate.

If this argument has no merit, the argument that dollar silver might see a rise in the rupee sterling rate has even less. Exchange rates have become the subject of keen political controversies. But the rupee-sterling rate has been in this category ever since post war India was put on an eighteen penny rate (36½ cents) instead of the pre war sixteen penny rate. After the war many countries devalued their currencies. Some elected to return to the pre war rate. India was the only country that revalued at a higher rate than the pre war rate. The controversy for a cheaper rate in the interests of the Indian export trade has gathered volume as the continued export of gold has revealed the overvaluation of the rupee. The notion that the rate might be *advanced* in order to counter the increase in the silver price of the rupee coin is, therefore, fanciful. Such a move would put the fat in the Anglo Indian fire.

That also would be the case, it seems, if an attempt were to be made to debase the rupee. The London *Economist* hazards the opinion that Delhi would do this. The people of India, however, are well aware of the silver value of their coins. That they use the

coins as investments equally with bar silver and ornaments was revealed to the writer some time ago when an up-country lawyer told of being habitually paid in rupees dug up out of the ground. It would be politically risky to tamper with the fineness of the silver rupee. It would not be in accordance, furthermore, with precedent. After the war, when silver made its last sensational climb, the British Government debased its own silver coins, from nine-tenths to five-tenths. The Government of India, however, resisted the temptation, and today the rupee is nine-tenths pure.

What India would do, perhaps, is what every country so far faced with a melting-point crisis has done. It would either put an embargo on silver exports or impose such a high duty on them as to keep the exchange value of the rupee below its bullion point. If that did not prevent a crisis, such a crisis would not be so profound as the one that would be caused by any of the other measures. And it has the support of precedent. A melting-point crisis occurred in India when the wartime demand sent silver up to \$1.37 an ounce. The situation was met by a law making it illegal to use silver coin for other than currency purposes, and the export of silver coin and bullion was prohibited except under license. An effort also would be made to economize the use of silver in coinage. The old propaganda to persuade the people of India to use notes instead of coins would be intensified, just as was done in the last melting-point crisis, when nickel coins in small denominations also took the place of silver coins.

China benefits with India in the rise in value of its silver stores if it sells them. In China there are 2.5 billion ounces, as compared with 4 billions in India. But, as the recurrent protests from China bear out, the advantage for China in marking up its supplies is buried in the currency and commercial chaos which the Silver Purchase Act has produced. The reason for this chaos in China marks the difference between the monetary systems of that country and India. In China silver normally occupies a three-tiered throne, being the standard of value, as well as a medium of internal payments and a *store* of value. This means that China's exchange with foreign moneys is dictated by the price of silver. The two go together. Thus Mr. Roosevelt, in "bulling" silver, must by the same token "bull" Chinese exchange.

It is China's exchange problem that, among the various repercussions of the American silver policy, has attracted the most attention. Senator Key Pittman calls the tale of China's tribula-

tion as told to the United States Treasury by Chinese spokesmen "utter rot." This is hardly fair, though the Senator would be on sure ground if he explained that, as we have already seen, China began to ship out silver originally because of the turn in its balance of payments from favorable to unfavorable. How even a high exchange could be disadvantageous to China should be no problem to Americans to understand when it is remembered that they were told so freely in the early days of 1933 that all their troubles were due to high American exchange in relation to the pound. Theoretically, a high exchange hurts exports and encourages imports. An *increasingly* high rate of course makes the situation much worse. It upsets the balance between the export and import trade and ends up by making both of them a sheer gamble. It tends so to overvalue the currency that the overvalued nation is drained of its metallic reserves in keeping up the rate. This reacts further on commerce.

The effect of American silver buying is plain in the figures of China's foreign trade. In February 1935 (the last figures available), exports from the United States to China, which were to be advanced by the increase in the price and therefore the purchasing power of China's silver, *dropped* by 24 percent as compared with the preceding February. And imports into the United States from China, which by the same token should have declined, *increased* by 19 percent. If the American silver group imagined that any people would long tolerate such an obvious manipulation of the exchange in the interests of a foreign nation's exports, they had quickly forgotten their own experiences. Before the end of June 1934 (the month of the Silver Purchase Act), China had raised its tariff, and the increases bore severely on American goods. It proceeded to take currency action by way of further fortification. Just as the United States took the peg out of its relatively high exchange rate in March 1933, so China, after futile protests to Washington, followed suit on October 15, 1934.

The Chinese, however, did not suspend silver payments *internally*. With a people who use hard money in their everyday transactions this was impossible. What they did was to try to shield their exchange from the market price of silver. An export tax was imposed. To it was added a so-called equalization charge, intended to rise in sympathy with the difference between Chinese exchange and outside silver prices. The object, of course, was to break the link connecting Chinese exchange with the price of

silver by shutting off the Chinese silver market. The effort has been only partly successful. From 33 cents at the time of the Silver Purchase Act, the Chinese yuan had risen by the end of April 1935 to 41 cents, or a 24 percent increase, as compared with a rise of silver from 45 cents to 73 cents, or 60 percent.

The difficulties in the way of effective Chinese control are many. One is smuggling. The other is the Nanking Government's lack of authority over the banks.

Efficient as is the foreign-officered customs service, Chinese smugglers are even more efficient. Their efficiency, coupled with the nearness of the market in silver-standard Hongkong, will make the illicit traffic in silver a thorn in the Chinese Government's side so long as the present problem exists. Smuggling will of course thrive as the margin between Chinese exchange and the price of silver advances, for the temptation to run silver across the border would be increased *pro tanto*. Yet, if the Chinese push the equalization charge too close on the heels of soaring silver, they risk loss of confidence at home; hence more chaos, more deflation. All that they have done so far is to straddle the dilemma.

But, if this smuggling problem is seemingly insoluble, the Chinese authorities are moving energetically to cope with the second obstacle, namely that arising out of their lack of control over the banks. Banks as well as smugglers at first found irresistible the temptation to profit by the exchange. At the end of April of this year a tidy profit could still be made. For, though the exchange rate of the yuan was 30 percent below its foreign parity, the export tax and the equalization charge on exports of silver did not cancel the difference, but allowed a profit to the exporter of Chinese currency of as much as 12 percent. Not as much as the smugglers could make, but, none the less, a sizable profit in these days of thin margins.

In China the foreign banks are even more important than the native ones. The Nanking Government is faced with the dilemma that the foreign banks, as a result of their extraterritorial privileges, are not under its jurisdiction. Knowledge that these banks were not coöperating to prevent speculation in exchange was aired freely in the Chinese press last September. Particularly was criticism centered on the great British bank, the Hongkong and Shanghai Banking Corporation. Latterly, however, some degree of coöperation appears to have been attained. In respect of the foreign banks, it rests upon a pledge not to play the exchange



market In so far as the Chinese banks are concerned, the Nanking Government has obtained control over the three leading Chinese banks, which hold nearly 68 percent of the Shanghai silver stocks Another 17 percent is held by the foreign banks now pledged to cooperation

China's disillusionment with the United States has caused Chinese statesmen to lose that sense of decorum for which they are legitimately renowned Very abrupt is the comment of the Committee appointed by the Nanking Government to study the silver crisis 'The silver-buying policy of the United States,' it says, 'is akin to the straw that broke the camel's back' Note the acknowledgment of the pre existing burden on China's back arising from the unfavorable turn in its balance of foreign payments With western frankness, T V Soong says "I can see no sense in the American policy Nor can anybody else" Mr Soong is the new head of the Bank of China As Minister of Finance, he traveled to the United States in 1933 to participate in the famous conversations in preparation for the unfortunate World Conference Not only he, but all other Chinese visitors at that time refused to tell the American public the simple fact of Chinese requirement vis à vis silver, namely, that just as the gold standard world requires stability in the purchasing power of gold in commodities, so silver standard China requires stability of silver in terms of other commodities The word "stabilization" was constantly on Mr Soong's lips At that time he and his colleagues were disturbed because of the deep dip in silver compared with other commodities Yet he must have known that stabilization as used by the silver party in the United States was a poetic word meaning a boost in price without regard to any other commodity He refused to lend the prestige of his name to those who were trying to explain China's real interest in silver, making them seem, in the eyes of the American silver party, incompetent judges of the silver case as it looked from China We may recall in especial the surprise and chagrin in certain departments in Washington when the terms of the Soong Roosevelt communiqué of May 19 was announced Mr Soong allowed himself to say jointly with the President "We consider it essential that the price of silver, the great medium of exchange of the East, should be enhanced and stabilized"

This is not to say that Mr Soong rendered a complete disservice to his country Among other things he wished to do his

part in enlisting American political interest in China's struggle with Japan. Mr. Soong sacrificed his country's economic interests to its political interests to the extent of going on to the World Economic Conference and solemnly participating in a silver agreement (widely touted as the only constructive achievement of that ill-fated parley) under which China agreed not to sell any demonetized silver. China, that is to say, was not to go off the silver standard. This self-denying ordinance was ironical enough. In retrospect it looks positively ludicrous. For the ink was scarcely dry on the agreement when the American silver party which had manipulated it started to drive China off the silver standard by pushing up the price of silver artificially. The agreement bound the parties to "mitigate the fluctuations in the price of silver" and to provide for its "effective stabilization." The extent of the "mitigation" in fluctuation is revealed in the most astonishing price rise in history — from 35½ cents an ounce on the day the London pact was signed to 81 cents on April 26, 1935. As to stabilization, even the fastest-moving commodity price level in the world of prices — namely, the American price level — has gone up only 17 percent, as compared with this rise in silver of over 100 percent. Stabilization is, indeed, a very flexible word.

The crisis in China is, as we have shown, no means over. If silver continues to soar toward the American statutory goal of \$1.29, it will get worse. How can the harassed Chinese cope with it? Several steps have been suggested: (1), that China should "manage" or "regulate" its currency independently of fluctuations in gold and silver values; (2), that it should devalue its currency; (3), that it should tie its currency to a foreign currency, either sterling or a gold currency; and (4), that it should go on the gold standard.

Devaluation is probably the least likely development. With silver movements still in the lap of the gods, a devaluation would simply mean that the Chinese yuan would be attached again to a metal in flight. It is the vagaries of silver more than the price of silver that disturbs China. Under devaluation the vagaries would not be wiped out. The Chinese yuan would soar again, though at a lower altitude. Internally the problem would be just as great as externally. Silver in China is neither in government nor bank vaults. It is in the hands of the people. And it circulates at practically its bullion value. Chinese in general are not interested in dollars or yuan as such. Whereas we in the West

look upon the dollar as a thing in itself, the Chinese look upon the silver value in the coin or the contract. Honest metal is their safeguard against dishonest government of the kind that disfigured the Manchurian governments in the Chinese republican regime. Devaluation would thus involve much more than the rewriting of existing contracts in a country where no Supreme Court is law. It would involve the actual calling in of metal for some old fashioned coin clipping of the kind for which Dante consigned the mediæval monarchs to his Inferno and with which Henry VIII helped to fill his privy purse. It is difficult to say which would be more difficult in China—the rewriting of contracts or the coin clipping. Bear in mind as a final evidence of the nature of the problem that the writ of the Nanking Government does not even control the activities of some of the mints.

The other suggested steps require as a *sine qua non* the building up of foreign balances. This would be no less necessary in moving on to the gold standard than in forming the gold exchange or sterling standard. China has little gold left. It certainly could not use the silver it has already lost to buy any! Moreover, such is the condition of its international balance sheet that an outward flow of silver is still necessary in settlements. In other words, China is on a deficit basis. At this rate it cannot build up foreign exchange balances.

This latter consideration is keeping alive the project of an international loan for currency stabilization in China in relation to either the gold or sterling exchanges. That would be a fit subject for a vivid chapter in the history of these irrational monetary times. After disorganizing the Chinese exchange, we propose to lend China the money to put it right, and, to make the irony more ironic, to keep it down, when currency loans are usually made for the purpose of supporting currencies. Perhaps this latter phase of the proposed loan, however, is no more peculiar than the spectacle of a British Treasury official at Geneva advising the gold bloc in Europe to default on their gold payments. In present circumstances the loan would have to be very large to be at all efficacious.

All the suggestions imply that China is still on the silver standard. Monetary terminology has been all but deprived of meaning by the currency experimentation produced by the depression. When the United States, after leaving the gold standard in March, again left that standard in April, Secretary of

the Treasury Woodin, on being told the news, is reported to have exclaimed "What, again?" Similarly, if we mean free and ready convertibility of currency into metal over international borders as the condition precedent of a metal standard, China deserted the silver standard on October 15, 1934. It does not matter that internal payments are still being made. China has a "managed" currency in the sense that, like Great Britain, it regulates the foreign value of its currency independently of metal. We must conclude, therefore, that step No. 1 has already been taken — that China should "manage" or "regulate" its currency independently of fluctuations in silver or gold values.

It will be observed that all these discussions revolve around alternatives to the silver standard. Such a prospect should be of serious moment to world silver producers. For China is the last grand stalwart of silver — that is, unless the United States intends to take its place. This evolution is apparently what the Mexicans feel to be imminent. Mr. Lopez, in his public reference to the Morgenthau-Lopez conversations in April, said: "Mexico cannot but look favorably upon the revalorization of the metal." Revalorization is as suspicious a word as stabilization. It looks as if the Mexicans were counting on Mr. Roosevelt to lead the world to bimetallism or some other form of gold-silver standard.

Otherwise they must already have asked themselves: What will happen to the price when American silver requirements are met? What will happen then to world silver? Surely, when the hand of Mr. Roosevelt has been withdrawn, it must relapse to a market supply and demand basis. And with country after country (including even the greatest producer, Mexico) substituting paper money for silver coinage, the demand basis may be much thinner. Perhaps the time may not be so distant when another article may have to be written treating of another silver crisis arising out of another rash of debasement and demonetization.

# LAYING DOWN THE WHITE MAN'S BURDEN

*By Nicholas Roosevelt*

**M**ANY of us who before the passage of the Hawes-Cutting Bill were vigorously opposed to granting the Philippines that "complete, immediate and absolute independence" for which Filipino politicians had so long campaigned, are today in favor of Philippine independence and believe not only that it should be complete and absolute but that it should be granted at the earliest possible moment. The Filipino politicians, on the contrary, are the ones who today are opposing independence.

Why the change? Because through the passage of the McDuffie-Tydings Act the American Government has surrendered virtually all authority over the Philippine Islands. The new bill, under the terms of which the Filipinos have established a constitution of their own, effective after the autumn of 1935, gives the Filipino politicians full control of the islands but leaves full responsibility for them in the hands of the American Government for a period of at least nine years. The United States is pledged to defend them against external aggression, although it cannot prevent Filipino politicians from taking steps which may be highly distasteful to one or another of the great Asiatic powers. This pledge to defend the islands is binding until the "transition" period ends on December 31, 1944.

The relationship of "responsibility without authority" is one against which all Americans familiar with Philippine problems have constantly given warning. In view of unsettled world conditions, and in view of the tense situation which has existed in the Far East ever since September 1931, the "transition" period, during which the United States Government retains full responsibility for the Philippine Islands without commensurate authority, clearly will be a dangerous one.

Unfortunately Filipino politicians are now trying to induce Congress to prolong this "transition" period indefinitely. From their point of view the new relationship is ideal. They have full powers in the islands and America has no right to interfere. They need not worry about their defense because this remains an obligation of the American Government. So long as the "transition"

period continues their public debt will remain underwritten by the United States. Thus they have the advantages of a partnership with a great and powerful country. The United States, on the other hand, has the disadvantages of having to protect an alien people in a distant corner of the world.

Should they fail to obtain an indefinite prolongation of the new relationship the Filipino politicians may be counted upon to try to involve the United States in a treaty guaranteeing the independence or neutrality — it amounts to the same thing — of the Philippine Islands after the final separation. Such an arrangement would, if lived up to, relieve them of the necessity of maintaining an elaborate system of defense and would remove the fear of foreign aggression. Incidentally this arrangement would doubtless commend itself to Great Britain and the Netherlands inasmuch as these two nations are concerned about the ultimate consequences of Philippine independence and the possibility of Japanese expansion towards the Dutch East Indies, Singapore and Australasia.

A number of influential American naval officers believe that it is desirable to retain a naval base in the Philippines after the transition period is over. American advocates of "complete, immediate and absolute independence," on the other hand, contend that such a base would simply involve the United States in the Far East and would nullify whatever advantages there might be in evacuating the islands completely. In other words, the retention of such a base would be played up by the Japanese as an act "unfriendly" to Japan. Inasmuch as there is little likelihood that such a base could be of real value in the event of a war, it seems hardly worth while to incur Japanese ill-will with no adequate compensating advantage to the United States. The McDuffie-Tydings Act defers the final settlement of this question to future negotiations between the Philippine and the American Governments.

Ten years ago — even three — there still was a chance for the United States to follow the proper course in the Philippines. But Congress, pressed by selfish business groups, and supported by many persons who were well-meaning but not well-informed, played into the hands of the Filipino politicians. When critics insisted that these politicians did not want independence they were denounced for impugning the integrity of the Filipino people. The truth is now at last being understood. What the Filipino

leaders wanted and still want is complete autonomy under American naval protection, underwritten financially, if possible, by the Government of the United States. Now that independence is at last definitely provided for, the Filipino leaders are doing all in their power to prevent the United States from withdrawing.

It may be asked why we cannot prolong the period of transition established under the McDuffie Tydings Act, increasing meanwhile our authority in order to lessen the risks involved in having responsibility without adequate control. The answer is that human considerations and political experience teach that political powers once surrendered to an alien people cannot be taken back without arousing so much bitterness that the new relation is intolerable for both parties. As we cannot reestablish our authority, the only logical course is to get rid of our responsibility.

Unfortunately, even for the United States to be relieved of responsibility for the Philippine Islands does not relieve it — or the world — of the consequences of a grant of independence. Our withdrawal will upset the balance of power in the Far East and create a new world condition containing elements of utmost gravity.

The proposition may be stated simply that just as American Far Eastern policy prior to 1934 was based on the retention of the Philippine Islands, so it must henceforth be based on their independence. The possession of these islands together with Alaska, Panama and Hawaii made the United States one of the three dominant Powers in the Pacific. The naval base in the Philippines greatly strengthened America's traditional stand with respect to China, best epitomized in the so-called Open Door policy, which sought to preserve the territorial and administrative integrity of China and equality of commercial opportunity there for all nations. The American Government insisted on the Open Door vigorously only for a short time, but it still remains one of the principal traditions of American foreign relations.

Secretary Henry L. Sumson reaffirmed this policy when Japan occupied Manchuria in the autumn of 1931. Due to the fact that the American Government had in the meantime lost sight of the relation between policy and armament, and had neglected the navy during the decade following the Washington Conference for the Limitation of Naval Armaments, whereas Japan during this same decade had been pushing the construction of her navy to

reach treaty strength, the United States found itself in 1931 in a perilous position. War was indeed much nearer than anyone — including some gentlemen in the State Department — realized. The reason was that America was making a vigorous diplomatic protest against the action of a Power which was determined to proceed with its policy of expansion regardless of consequences. The American Government had either to be ready to back up its protest with force, or, if this protest were ignored, and the co-operation of other Powers were lacking, to admit its impotence in carrying out its policies single-handed.

In choosing the latter course our Government probably had no alternative. But the fact that it did so choose has stiffened the Japanese military and naval leaders in their determination to dominate all of Eastern Asia. Prior to Secretary Stimson's protest about Manchuria they were afraid that the American Government might offer effective opposition to their ambitions. They soon ascertained, however, that they could go as far as they wanted not only in expanding on the Asiatic mainland but also in denouncing the naval treaty. They counted — and still count — on the clumsiness of our political machinery to delay the execution of any naval construction programs voted by the Congress.

It is proper at this point to raise the question as to whether or not the Philippines would be "safe" if Japan signed a treaty pledging herself to uphold their independence. Those Americans who favor an international guarantee of neutrality believe that the interest of the British and the Dutch in keeping the Japanese out of the Philippines is so great that in the event of a threat to the Philippines these two Powers could be relied upon to give immediate and effective assistance to the American Government in carrying out the terms of the agreement. The opponents of such an arrangement contend, however, that no treaty of neutrality has proved really effective. Furthermore, they express the fear that because of the past close relationship between the Americans and the Filipinos the other signatories to such a treaty would take the position that it was up to the United States to shoulder the chief burden of defending the islands. In other words, if the other signatories thought that the United States could and would by itself protect the Philippines they would sit back and do little or nothing to help. The net result of such an attitude would be that the United States would find itself involved in questions concerning the Philippines after it no longer had even the tenuous



relationship existing during the "transition" period which ends December 31, 1944. In brief, the opponents of a neutralization treaty base their arguments on the fact that as a signatory to this treaty the United States would still have a preponderant share of responsibility for the islands. Thus they believe to be contrary to the best interests of the United States, which, in their opinion, call for a complete severance of all ties.

As far as Japan is concerned, the record, unfortunately, does not warrant one in placing much reliance in a treaty neutralizing the Philippine Islands. Many Americans insisted even after the Mukden incident in September 1931 that Japan had no intention of occupying Manchuria permanently. They pointed to the Nine Power Treaty of which Japan was a signatory and asserted that Japan neither could nor would fail to live up to the treaty provisions. One of the clauses stated specifically that the signatories pledged themselves "to respect the sovereignty, the independence, and the territorial and administrative integrity of China." Japan nevertheless went ahead with her Manchurian plans and although Manchuria today is nominally an independent state, no realist denies that its government is the tool of Japan. Some of us cannot be blamed, therefore, for doubting that a treaty proclaiming the neutrality of a coveted and comparatively under populated insular region in the Far East would be any more respected than was this pledge in behalf of China.

It goes without saying that if Japan attempted to take the islands during the "transition" period the American Government would have to fight to defend them. It is unlikely that the Japanese military and naval leaders will be sufficiently unhinged to make the attempt. But Japan's long range overseas policy seems for some time to have had the Dutch East Indies as its ultimate objective. The Philippines are in her path. The northernmost of the Philippine Islands is only 65 miles from the southernmost of Japan's present insular possessions in the Pacific. The Philippines, furthermore, would be useful on their own account. They are rich in undeveloped resources and could hold a population perhaps four or five times as great as they have at present. Can we suppose that Japan, suffering from a lack of raw materials and from excessive over population will not be interested in the fate of these islands eventually?

The argument in favor of complete withdrawal gains weight when we recall the American inclination to sympathize with the

under-dog. There can be little doubt that if after the "transition" period is over the Philippines should be in danger from some foreign power there would be a demand that America step in to help its former wards. Such an argument would be based on a "moral obligation" to the Filipinos. As a matter of fact, a strong case can be made to show that, if any moral obligation toward the Filipinos existed, this was violated when the McDuffie-Tydings Act granted the Filipinos premature independence. The American Government undertook in 1899 to do many things for the Filipino people. It promised to establish a stable government and to lay the economic foundations of a state that in time was to be self-supporting. It promised to prepare the Filipinos for self-government. It sought to break down the barriers of illiteracy. It undertook to eliminate the diseases which took their great toll yearly.

While important progress has been made toward carrying out these promises during the thirty-five years of the American occupation very much still remains to be done. The American people have followed the easy course of using the cloak of freedom to hide their weariness of the task of serving as colonial administrators. It is this withdrawal before the promises have been completely carried out which constitutes the real blot on the record of the United States.

It is one of the ironies of Oriental psychology that withdrawal from the Philippines, whether after a transition period of ten years or at once, will be interpreted in the Far East as final proof of the timidity of the United States and of its unwillingness to protect its own best interests. It goes without saying that to leave the Philippines means to abandon the Open Door policy in China and definitely to surrender American hopes of winning a dominant commercial position in the Far East. It is questionable if these hopes were ever soundly based. Certainly there is no likelihood that America's China trade within the next few decades can reach such proportions as to be worth fighting for. But whatever the correct estimate of China's commercial potentialities, the United States will have to adjust itself to the idea of complete Japanese domination of Chinese markets.

The foregoing means, in brief, adopting a "little America" policy. Strong arguments can be made in favor of it. As a matter of fact, the philosophy of economic nationalism which has won so much support leads logically to such a doctrine. It will be achieved

only at the expense of loss of prestige and influence in the world. But should it result in a clearer appraisal by the American people of American shortcomings, and bring national humility in place of the extravagant "spread eaglesm" of past decades, it may have spiritual advantages offsetting in part the humiliation of avowing to the world our failure as a colonial power. If, on the other hand, America congratulates itself that it has completed its Philippine task satisfactorily and that it can henceforth live without fear of war in Asia, it will risk inviting the ultimate challenge of more virile nations.

To accept half way measures seems almost certain to invite disaster in the future. The original choice was plain: to retain the islands and govern them effectively, in accordance with the obligation as trustee for the Filipino peoples, or to get out, "lock, stock and barrel." The former course having been rendered impossible, wise policy would seem to dictate giving the Filipinos "complete, immediate and absolute independence" at the earliest possible moment.

# THE NEW CONSTITUTION OF THE PHILIPPINE COMMONWEALTH

*By Maximo M. Kalaw*

The Filipino people, imploring the aid of Divine Providence, in order to establish a government that shall embody their ideals, conserve and develop the patrimony of the nation, promote the general welfare, and secure to themselves and their posterity the blessings of independence under a régime of justice, liberty and democracy, do ordain and promulgate this constitution.

**S**O RUNS the preamble of the new Constitution of the Philippine Commonwealth, adopted by the Constitutional Convention February 8, 1935, approved by the President of the United States on March 23, and on May 14 ratified in a plebiscite of the Filipino people.

The first thing that a reader interested in Philippine affairs will probably inquire is as to the nature of the Commonwealth Government which is being established. Will it be a semi-independent state? There is no doubt that when the American Congress adopted the name "commonwealth" it was inspired by the precedents of Anglo-American history in which "commonwealth government" has always meant self-government or autonomy. It is probably the highest type of self-government compatible with a colonial or dominion status. The word "commonwealth" was used in England in the sixteenth century and was the accepted translation of the classical expression, *res publica*. Sir Thomas More in his famous "Utopia" so used it.

More specifically, the term "commonwealth government" was given to the English government which existed from the abolition of monarchy in 1648 until the establishment of Cromwell's Protectorate in 1653. Since that time, a commonwealth government has carried the significance and the traditions of a free, autonomous government. This idea was transported to America by the liberty-loving immigrants. James Russell Lowell referred to the colonies of America as the "sturdy commonwealths which have sprung from the seed of May-flower." The term has been applied both to governments with nominal kings and to purely republican institutions.

That this type of autonomous government is what is contemplated for the Philippines is also to be gathered from the various

provisions of the Independence law. It seems to be the purpose of Congress to extend a partial grant of sovereignty, acting, therefore, on the theory that sovereignty is divisible. In various parts of the independence act we see provisions to the effect that the governmental powers are granted to us pending the "final and complete" withdrawal of the sovereignty of the United States, implying thereby that there is a partial grant of sovereignty. This expression has been used several times. It is clearly repeated in Section 10 that upon the expiration of the transition period the President is directed to "withdraw and surrender all right of possession, supervision, jurisdiction, control or sovereignty *then existing and exercised* by the United States in and over the territory and people of the Philippine Islands."

The only limitations imposed are the mandatory provisions in the Tydings McDuffie law. These are (1), that the constitution to be drafted shall provide for a republican form of government, (2), that it shall contain a bill of rights, and (3), that it must respect some sixteen enumerated provisions about trade relationships, allegiance of Philippine officials to the United States, public debt, maintenance of an adequate system of public schools primarily conducted in the English language, foreign affairs, certain powers of the American Government with regard to intervention, equal civil rights of Americans and Filipinos, powers of the United States to maintain reservations, certain laws that require presidential approval, and review of the decisions of the Supreme Court of the Philippine Islands by the Federal Court of the United States.

Subject to such limitations, the Constitutional Convention which was elected on July 10, 1934, proceeded to draft the constitution of the Commonwealth. On October 26, 1934, a subcommittee of the Committee on Sponsorship submitted a draft which became the basis for discussion. On January 31, 1935, the discussion was finished and the draft was then submitted to the Style Committee for minor changes. The Convention finally approved the draft on February 8, 1935.

What exactly is the nature of the government which it is proposed to establish under this Constitution? What is to be the fate of those institutions which the United States implanted in the islands?

The Constitution of course respects the injunction that the government to be established must be republican in form. But

even without any such inhibition the ideals of democracy are bound to be maintained in the Philippines. As far back as 1898, the Malolos Constitution of the late Philippine Republic provided for popular sovereignty, being the first constitution in the Orient to establish such a principle. It therefore is not surprising that the constitution of the Commonwealth should provide that the Philippines shall be a republican state, that sovereignty resides in the people, and that from the people all government authority emanates.

The form of government established is the presidential system. This shows the impact and permanence of American institutions. There shall be a President, elected directly by the voters of the Philippine Islands. With him will rest the supreme executive power, as well as the veto power not only of all legislation but also of any separate item or items of an appropriation or revenue law or tariff act. The President is to be elected for a term of six years and will be ineligible for the following term. In a sense, he will be a great deal more powerful than the President of the United States, for the new government will continue the unitary character of the present government. He shall have control and supervision over all provinces and municipalities. Under the present system, the elected provincial and municipal officials are at the beck and call of the central government. The President must be a natural-born citizen of the Philippine Islands. He is to occupy the historic Malacañang Palace, as provided for in the Tydings-McDuffie Law. He shall have the power of appointment, but subject to confirmation by the Commission on Appointments of the National Assembly.

It is in the Legislative department that innovations have been made. In the first place, a unicameral legislature, called the National Assembly, is to be established. In this respect, the Philippines follows the example of a number of European states. The members of the National Assembly shall not exceed 120, to be chosen every three years and to be apportioned among the different provinces. At present there are 98 members of the lower house of the Philippine Legislature. This is to be continued until the National Assembly shall otherwise provide. Some members who are at present appointed by the Governor-General to represent mixed Christians and non-Christians are to be elected.

It was decided to abandon the bicameral system and eliminate the Senate for several reasons. The Senate was elected by the

same set of voters as was the House of Representatives, the only difference being that the Senate members were elected from larger constituencies. The Senate never really developed a different character from that of the lower house. Sometimes it was believed to be more radical, at other times it was thought to be more conservative. There was no fixed responsibility for legislation under the bicameral system and there was much "passing of the buck." As a result, the chief responsibility for legislation really fell into the hands of the Governor General, through his power of veto. Since the time of General Wood an average of from one fourth to one third of all the bills approved by both houses of the Legislature have been vetoed. An added reason for the abandonment of the bicameral system probably was the cost of legislation. An investigation made of legislative costs in 1927 revealed that for every bill introduced 13,216 pesos were spent, and that for every bill enacted 22,847 pesos were spent.

Another innovation is an Electoral Commission, to be set up to decide election contests. Formerly, as in the typical American state legislature, each chamber was the sole judge of the election and qualification of its members. Now all election disputes shall be judged by an Electoral Commission to be composed of three Justices of the Supreme Court (designated by the Chief Justice) and six members chosen by the National Assembly, three of them nominated by the party having the largest number of votes therein, and three by the party having the second largest number of votes.

A wholesome prohibition is presented in Article VI, Section 8, which provides as follows:

No Member of the National Assembly shall directly or indirectly be financially interested in any contract with the Government or in any subdivision or instrumentality thereof or in any franchise or special privilege granted by the National Assembly during his term of office nor shall any such Member appear as counsel before the Electoral Commission or any court in any civil case wherein the Government or any subdivision or instrumentality thereof is the adverse party, or collect any fee for his appearance in any administrative proceedings or in any criminal case wherein an officer or employee of the Government is accused of an offense committed in relation to his office. No Member of the Commission on Appointments of the National Assembly shall appear as counsel before any court inferior to the Supreme Court.

Another prohibition is found in Section 8, Paragraph 1, which provides:

No Member of the National Assembly may hold any other office or employment in the Government without forfeiting his seat nor shall any such Mem

ber during the time for which he was elected, be appointed to any civil office which may have been created or the emoluments whereof shall have been increased while he was a member of the National Assembly.

There is created in the National Assembly a Commission on Appointments which shall confirm or reject appointments. This body succeeds the Senate as a confirming body. No member of the Commission on Appointments shall appear as counsel before any court inferior to the Supreme Court. This was stipulated in order to correct a previous practice whereby members of the Senate had a great deal of influence upon judges, due to the Senatorial power of confirmation.

An attempt has been made to set up a budget system under which the Executive will have responsibility for the budget he presents. Article 6, Section 9, Paragraph 1, provides that within fifteen days of the opening of each regular session of the National Assembly the President shall submit a budget of receipts and expenditures, which shall be the basis of the general appropriation bill. The National Assembly may not increase the appropriations recommended by the President for the operation of the government as specified in the Budget, except as regards the appropriations for the National Assembly and the Judicial Department. The form of the Budget and the information that it should contain shall be prescribed by law. The principle, however, of the English budget system is not copied *in toto*, inasmuch as the prohibition of the Assembly to increase appropriation measures does not include public works bills. In other words, the American "pork-barrel" system is to be continued in spite of the serious denunciations made against it by prominent officials and other citizens of the country.

Some departure from presidential rule is to be found in Article VI, Section 10, whereby the heads of departments may, upon their own initiative or upon the request of the National Assembly, appear before and be heard by the National Assembly on any matter pertaining to their departments, unless the public interest shall require otherwise and the President shall so state in writing.

To avoid a rush during the last days of a session, when many bad bills used to be adopted, Article VI, Section 12, Paragraph 2, provides that no bill shall be passed or become a law "unless it shall have been printed and copies thereof in its final form furnished the Members at least three calendar days prior to its pas-



sage by the National Assembly, except when the President shall have certified to the necessity of its immediate enactment "

Slightly more independence has been provided for the Judicial Department. In the past, complaints were numerous to the effect that political considerations unduly influenced the judiciary as a result of the power of the Senate to transfer judges from one district to another. Some members of the Constitutional Convention even proposed that judges be not appointed with the consent of the Legislature, but that plan was turned down. However, Article VIII, Section 7, provides that no judge appointed for a particular district shall be designated or transferred to another district without the approval of the Supreme Court. The National Assembly shall by law determine the residence of judges of inferior courts.

Section 10 of the same article provides that no law may be declared unconstitutional or invalid by the Supreme Court without the concurrence of two thirds of all the members of the Court. This is in line with the suggestion heard even in America that the power of the Supreme Court to declare laws unconstitutional by a narrow margin should be curtailed.

The President, the Vice President, the Justices of the Supreme Court and the Auditor General are removable from office on impeachment for the commission of high crimes.

According to President Claro M. Recto of the Convention, the Constitution tries to reconcile what he calls classic principles with modern tendencies. To some this will seem a mixing of oil and water. The Supreme Court will probably have to determine what is oil and what is water — and maybe throw away the water. For instance, the American Bill of Rights has been copied in the Constitution almost verbatim. Yet we find that Article XII, Section 6, provides that the state may, in the interest of national welfare and defense, establish and operate industries and means of transportation and communication, and, upon payment of just compensation, transfer utilities and other private enterprises to public ownership to be operated by the government.

Certain provisions are in the nature of declarations of principle, and these will require further legislation by the National Assembly if they are to be effective. Thus, in Article XI, Section 1, it is provided that all appointments in the Civil Service except those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to merit and

fitness, this to be determined as far as practicable by competitive examination. This is a notable statement of the principle of civil service. But unless it is supplemented by legislation carrying the proper penalties, politicians will find a way to appoint men of their own choice and not in accordance with standards of merit and fitness. Section 2 of the same article embodies another laudable principle, whereby officers and employees in the Civil Service, including members of the armed forces, shall not engage directly or indirectly in partisan political activities or take part in any election except to vote. Here again there is need of supplementary legislation providing punishment for violations.

The decision to establish a presidential system of government will be welcomed by most Americans who have wondered why their system of government has not been followed outside of the two American continents. But the proposal made by some members of the Constitutional Convention to establish the cabinet system met with very little support.

It might be interesting at this point to note that the presidential system has not generally met with success in South America. The consensus of opinion among many writers seems to be that the South American countries made a mistake in copying the American system of government *in toto*. It is adduced as one of the reasons why so many of those countries have been converted into dictatorships. Now in tradition, in temperament and in the background of Spanish culture the Filipinos seem more akin to the South Americans than to the people of the United States. However, we have led ourselves to believe, with some reason, that the Oriental in us makes us law-abiding and that the thirty years of American guidance have given us a different outlook from South Americans. On the other hand, our addiction to supporting the party in power, our respect and even fear of the constituted authorities, certainly are not American characteristics.

Our unbalanced party system will be a strong handicap on the successful operation of the presidential system. Since the establishment of national representative institutions in 1907, the Filipino people have invariably supported the party in power. Under the Philippine Commonwealth, and even more under an independent government, the presidential system may so entrench a certain party in power as to make it almost impossible for any minority to win unless by means of a revolution.

It has been said that the greatest virtue of the presidential system is its stability. It is true that stability is generally a virtue. But the result of the continuous victory of the party in power may produce a sort of stability that may ripen into dictatorship, and that dictatorship may lead to revolution. The cabinet system, on the other hand, has the opposite defect. Through its frequent changes of government it often produces instability. But, under the circumstances, the very fact that the cabinet system tends to change governments more often than the presidential type does should win us to its favor. The worst criticism of the cabinet system is that if there are not two well balanced parties the government is likely to be unstable. Considering the fact that the Filipinos have been so accustomed to supporting the party in power, I do not think that we are likely to change to such an extent that we will upset the government on slight pretexts. Admitting the fact that all representative democracies on a large scale must be governed by parties, I believe that in order to offset the evils that come from our characteristic party system that form of government which facilitates an easier change of power should be favored.

Perhaps realizing the danger of a purely party system during the first years of the Commonwealth, President Quezon has suggested that Senator Osmeña, leader of the minority party, shall run with him for Vice President. One or two other leaders of the minority party may be given important positions and thus a sort of coalition may be formed. The result would be practically a one party system.

# AGAIN THE MEMEL QUESTION

*By Edgar Packard Dean*

**T**HERE is a strange contrast between the history of this sleepy Baltic port in the centuries prior to the Paris Peace Conference and its prominence in the subsequent fifteen years. Until 1917, Memel had few claims to fame. As a port it was surpassed by the greater activity of Königsberg and Danzig. Historically, it was overshadowed by Tilsit, that city farther up the Niemen where Napoleon and Alexander of Russia had divided the world between them.

In 1919 Memel City and its hinterland were separated from East Prussia. The unit comprised an area of 945 square miles and a population of 150,000



(25,000 Germans and 125,000 who consider themselves Lithuanians). To Germany's protests the Allies answered that although the city of Memel was largely German, the hinterland was Lithuanian in sympathy. Furthermore, Memel was the only outlet to the sea for the newly created state of Lithuania. Until that country had definite boundaries (she had a continuing conflict with Poland after Zeligowski's seizure of Vilna in 1920), the Allies continued to rule Memel. They wished to make Memel available for Lithuanian commerce but were not willing to give Lithuania unconditioned sovereignty over the Territory.

The period of inter Allied government was scarcely a happy one. The Germans in Memel Territory demanded the status of a free city, such as Danzig, for they considered this the quickest route to reunion with Germany. Even Lithuania had little respect for the port which supposedly was to serve her needs. She erected customs barriers between herself and the Territory, and directed her own trade to Königsberg and Libau.

The stalemate was ended in January 1923. A filibustering expedition of Lithuanian soldiers in civilian dress entered Memel and, after some fighting with Allied troops, proclaimed the union of Memel and Lithuania. In February 1923, the Conference of Ambassadors recognized the *fait accompli* but insisted on a certain degree of autonomy for the Territory. The task of defining this autonomy was ultimately given to a committee of the League of Nations. On this committee the United States was represented in a private and quasi arbitral capacity by Mr. Norman H. Davis, who, more than anyone else, was responsible for the drafting of a compromise acceptable to all concerned. This compromise is known as the Statute of Memel.<sup>1</sup>

The Statute of Memel, signed by the Allies and Lithuania on May 8, 1924, recognized Lithuania's sovereignty over the Territory but promised for the latter an important degree of autonomy. This autonomy was threefold: governmental, cultural and economic. In internal matters the Territory was to be self-governing. The government consisted of an executive, the Governor, appointed by Lithuania, a cabinet, known as the Directory, composed of five men, the President, appointed by the Governor, and four colleagues chosen by the President, and a legislature, the Diet, of 29 members elected by universal suffrage. The cultural guarantees safeguarded German residents in their language in the maintenance of their schools, and in their religion — most of the Memel Germans are Protestants, whereas Lithuania is essentially Roman Catholic. Economically, all states whose commerce must pass through the Territory should be assured of free passage to and from the port of Memel.

More important than the precise terms of the Memel Statute is the attitude of those to whom it applies. The attitude of both Lithuania and Germany was the same after 1924 as it had been earlier. Lithuania acted as if she possessed complete sovereignty, whereas Germany could not forget that Memel had once been Prussian. Hence it is not surprising that there have been a series of crises. That of March 1935, when Lithuania sentenced four Nazis to death for plotting the return of Memel to Germany, is the most recent. But the crises of 1932 and 1934 are more revealing of the nature of the conflict.

In February 1932 the Governor of Memel dismissed the President of the Directory, a certain Dr. Bottcher. The charge was that Dr. Bottcher, during a recent visit to Berlin, had talked with two Prussian ministers. Although the subject and purpose of the discussion were unknown, Lithuania considered the affair an infringement of her exclusive right to control the foreign policies of Memel. Dr. Bottcher refused to resign. The Governor arrested him, dismissed the Directory, and appointed a new President who subsequently chose colleagues unacceptable to the Diet. The latter had and has always had a German and autonomist majority. The Governor promptly dissolved the Diet. Ger-

<sup>1</sup> For the early history of the Memel Statute and an account of the work of the Davis committee see John A. Gadsby, *The Memel Controversy*. FOREIGN AFFAIRS, March 1924.

many, attentive to the grievances of her compatriots, referred the case to the League, which in turn delegated it, as a legal question, to the World Court. The Court, while not wholly vindicating the Governor, ruled in 1932 that he had the right to dismiss functionaries disloyal to the Statute, and that he had been justified in dismissing Dr. Böttcher. The Court reminded German Memel-landers that a minority has duties as well as rights.

The crisis of 1934 reveals still another aspect. There has doubtlessly been considerable Lithuanization in Memel Territory. German names of streets have been changed; Memel City, a German stronghold, is required to call itself Klaipeda; and Protestant parishes were severed from the Consistory of Königsberg. On the other hand, the rise of the Nazi Party has been accompanied by intensive German propaganda in the Territory. A Lithuanian investigation revealed the extent of this propaganda in the schools. Memel Nazis, aided from Berlin, had instituted new schoolteachers; pictures of German heroes adorned the walls of schoolrooms; and the curriculum was the same as that in Prussia. Most of the teachers could not speak Lithuanian and many confessed to having attended special propaganda courses in Berlin.

A solution of the Memel problem obviously is not easy to find. Many forces are at work. There is, for example, the constitutional question. Neither Germans nor Lithuanians are adapted by historical background and experience to a régime of constitutional liberty. Both have sent agents into the Territory, both desire to end the present régime, both will attempt to utilize a régime of constitutional liberty to extirpate their enemies and blot out constitutional liberty itself. But the real issue lies deeper. Lithuania has gained by the Peace Treaty and she intends to consolidate her gains. Germany has lost, but she is not reconciled to her loss. This was shown as recently as May 21, 1935. Germany, said Chancellor Hitler, is "ready to negotiate non-aggression pacts with all our neighbor states. If we except Lithuania, this is not due to the fact we desire war there, but because we cannot enter into political treaties with a state which disregards the most primitive laws of human society."

Deeper still there is another factor. Lithuania considers the centuries of German rule along the Baltic provinces as an injustice; it is a wrong to be righted. Germany considers those centuries as part of a natural order, an order to be restored as soon as possible. Given such divergent mentalities, it is difficult to forecast a solution which will be both peaceful and lasting.

# SOVIET IMPERIALISM IN AFGHANISTAN

*By Joseph Castagné*

THE history of Afghanistan has been dominated by the geographical fact that it lies on the route of invasion to India. Cyrus and the Persians, Alexander and the Macedonian phalanxes, the barbarian Scythians, free-booting Turanian knights — all these passed through the land of the Afghans to reach the fabulous wealth of the Indian peninsula. They plundered freely, for such was the nature of their expeditions. So great were their ravages that when in the seventh century the Arabs conquered the land in the name of Islam there truly was nothing left to despoil. A period of comparative peace and tranquillity followed. The invasions of the Mongol hordes of Jenghiz Khan at the beginning of the thirteenth century marked the beginning of another unfortunate era. Tamarlane, Babur, who was the founder of the Mongol Empire in India, and Nadir Shah, the Persian brigand, ravaged the land through which they passed leaving behind them death and destruction.

In modern times Afghanistan has been a pawn in the contest for empire between the British and the Russians. The British were determined that Afghanistan should remain a buffer state between India and the northern colossus. At times they endeavored to conquer the Afghan kingdom. At other times they were content to support a puppet emir there. In the fifty years prior to 1914, Britain allowed the various emirs to consolidate their realm, introduce western methods, and even to strengthen their armies. But Afghan foreign policy remained a monopoly of the British Government of India. The country had no ambassadors of its own and its attitude towards its neighbors was determined exclusively by Britain. Until the World War it was British rather than Russian influence which was predominant at Kabul.

The situation was reversed in the years following the war. British influence waned and Russian influence increased. In 1919 the Emir of Afghanistan, Habibullah, was murdered, supposedly because of his pro-British sympathies. His son, Amanullah, succeeded to the throne and at once proclaimed the independence of Afghanistan in matters of foreign as well as domestic policy. This inevitably meant war with British India. The occasion was propitious. Disappointment that India had not received dominion status as a result of its loyalty during the World War had caused considerable unrest there and, in a few provinces, rebellion. Hoping, therefore, to be joined by their Indian brothers, the Afghans boldly opened hostilities. The ensuing war was as disastrous as it was brief. The British were everywhere triumphant.

Great Britain nevertheless realized that the new Afghan ruler was a man of determination and that it was better to have a friendly neighbor than a hostile ward. The armistice of Raval Pindi, signed in July 1919, announced the independence of Afghanistan. Hardly was the armistice signed when Moscow hastened to recognize the independence of the new state. An exchange of ambassadors was also proposed. Soviet imperialism was following the course formerly pursued by the Tsars, flattering the nationalism of adjoining Asiatic states and endeavoring to draw them within the Russian orbit.

One of Soviet Russia's first steps was to foster an Asiatic bloc consisting of Turkey, Persia and Afghanistan. The latter countries were apprehensive of Britain's predominant position in Asia after the war. British forces of occupation were in Constantinople, Palestine, Syria, Mesopotamia, Caucasia, Trans-Caspia, and Persia. Although Turkey, Persia and Afghanistan had no desire to substitute a Soviet for a British hegemony, the latter seemed more immediately dangerous. Fully conscious of the abyss that separated their political régimes from that of Soviet Russia, they nevertheless signed various treaties with that country, exchanged diplomatic representatives, and multiplied their consular posts.



Soon the Bolsheviks organized on their own territory — at Tashkent, and later at Baku — various congresses for the peoples of the East. At these reunions they launched flaming proclamations to “enslaved” peoples, to whom they presented themselves as liberators. Their appeal was heard. This did not mean that the dictatorship of the proletariat had any chance of success in Central Asia, where there was no industrial life and no proletariat.

In its rôle as protector of “the oppressed nations of the Orient,” Soviet Russia henceforth dreamed of resuming her forward march towards the warm waters of the Indian Ocean. There are several possible routes in the realization of this goal. The classical route of invasion is by Termez, Bamian and Kabul, passing through the Hindu Kush mountains at a height of about



4,000 meters Enlarged and improved in recent years by the Afghan Government, it is the most frequented route for travellers from Russia to India A second way lies by Kushka and Herat, leading on from the latter point along another classic route to Kandahar and thence across the Indian frontier to Quetta To the west, another route, from the Caucasus southward through eastern Persia, passes through the region called Seistan (on the Persian-Afghanistan frontier) and thence reaches the Gulf of Oman near the Baluchistan border A route further east, through the Pamir Mountains, leads to the heart of India, but those mountains are well nigh impassable Still further east, a Russian army might also invade India via the Chinese province of Sin kiang Several of these routes are fed on the Russian side by railroads which have a clearly strategic character In very recent years, an additional means of invading India has become possible, *sc* through the air An airplane service now functions between Moscow and Kabul

In 1920 Russian officials at Tashkent made new studies as to how to invade India via Afghanistan But information received from reliable sources showed that the Indo-Afghan frontier was jealously guarded and strongly fortified Attention was turned to other routes The following year, in 1921, under the inspiration of General Broussiloff, a new plan was elaborated This time it was a question of establishing a base in southern China and attacking India across the weakly fortified India Burma frontier But Soviet diplomacy in China failed, and Moscow returned to its original idea of passing through Afghanistan The Bukhara-Termez railroad line had just been constructed, and an airplane route from Tashkent to Kabul had been established, with a landing field at Termez Russia strengthened her army in Turkestan, and after issuing considerable revolutionary propaganda seemed prepared to take the offensive

To facilitate the march of the Red Army, Moscow made use of Soviet diplomacy, at that time very powerful at the court of the Emir of Afghanistan By the terms of the Russian Afghan treaty of February 1921 the Soviets recognized the independence of Afghanistan The treaty also contained a clause stipulating that neither of the two contracting parties would conclude a political or military alliance with any state dangerous to the other The third article granted the Emir a subsidy of one million gold rubles, which England had formerly paid to Afghanistan but which had been stopped after the war Thus Afghanistan was drawn into the orbit of Soviet influence in Asia

The Afghan Government, however, energetically resisted the dissemination of Bolshevik propaganda in its own territory This propaganda, issued by the agents of the Third International, was directed against Britain rather than Afghanistan, as is borne out by the revelations made by the former Russian agent, Agabekov According to Agabekov, Kabul became a center of communist propaganda for active radicals in India The first task set was to weaken British authority among the warlike people of the frontier, to arouse these people, and to set them up in opposition to the domination of Britain and the local governing classes supported by Britain

The Bolsheviks, at the beginning of the reign of Amanullah, were strongly aided by the Indian revolutionary, Partap, who enjoyed great favor both at the court of the Emir and with the quondam German mission at Kabul

During the World War, Partap had offered his services to the German mission headed by Major Niedermayer. The latter, with a small group of soldiers, had slipped into Afghanistan for the purpose of arousing Afghan frontier tribes against the English. In 1919, at the time when Moscow and the radical revolutionaries of India decided that the moment for action had arrived, a Government of the People of India was constituted at Kabul. At its head was Partap. In 1924 Agabekov found Partap still in Kabul, and again Russia made use of his services. Moscow also had many other agents in Afghanistan. All were in communication with the chiefs of the tribes of India, notably with Moulk Bachir and Padcha Goulem. The former, according to Agabekov, received £500 sterling from Moscow every three months. This perhaps shows the importance which the Soviet leaders gave to this propaganda. They also distributed money among the police of Kabul.

The invasion of India being temporarily impossible, the Soviet Government none the less continued its propaganda. This activity, it is true, was somewhat diminished during the years 1922 and 1923 because of the unrest among the Russians of Central Asia. Shortly after, however, it was resumed and bore its first fruits with the activities of the Red Shirts in India, which for a while caused anxiety to the British Government.

Russian influence in Afghanistan was weakened rather than strengthened by the events of 1928-1929. During the 1920's King Amanullah had sponsored the growth of western institutions in his kingdom. Had he been content with a slow process of westernization, he probably would have succeeded. But in 1928 he visited Europe and returned home fervently determined to put an abrupt end to many backward features of his country. The example of Mustapha Kemal Pasha in westernizing Turkey stirred him to do the same for Afghanistan. But the reforms which Amanullah proposed were more drastic, the opposition which he encountered was greater, and premonitory warnings should have convinced him that he could not succeed. In December 1928 a north Afghan *budmash*, Bacha Sakao, raised the standard of revolt; and Amanullah, with the family jewels, fled the country. Bacha Sakao proclaimed himself ruler of Afghanistan under the name of Habibullah Khan. But he was without experience, money, or a trained army; and it was obvious that the situation was not a permanent one.

The Soviet press at once assumed the initiative and unanimously defended Amanullah. It accused England of desiring to check the course of national liberation in Afghanistan and of having aroused the border tribes against their former king. The *Pravda* accused Colonel Lawrence of having plotted the whole uprising. The Soviet Government soon adopted a positive rôle and gave its aid to Amanullah in his struggle against the usurper. It was decided that a detachment of 800 men of the Red Army should be sent to Afghanistan, where they were to be equipped by Amanullah's partisans. It would be commanded by the ambassador of Afghanistan in Moscow, and it would fight for the restoration of the former king. Its early successes in the north were interrupted by the news of the definite abdication of Amanullah. The Soviet detachment was recalled and the Afghan ambassador returned to Moscow.

Russian intervention was perhaps inspired as much by a desire to create a sovietized Afghan state as to give Amanullah back his throne. According to

dispatches appearing in a Russian newspaper printed in Paris, a military and political conference under the presidency of Bouline was held at Tashkent between January 14 and 16, 1929. Bouline was the chief representative of the Political Direction of the Army and was expressly sent by Moscow.

The conference drew up an elaborate scheme for political intervention in Afghanistan with the aim of influencing the course of events in a direction favorable to Russia. A communist party would be created by sending to Kabul special agents trained in schools of propaganda at Tashkent and other cities of Asiatic Russia. The communist party would not at first engage in actual combat but would bide its time until the new rival to the throne, Nadir Khan, who had formerly been minister of war and Afghan minister to Paris, had exhausted his army and resources. Then, however, it would take an active rôle and proclaim a Soviet regime. Special measures were adopted not to irritate the population by offending local customs and the Moslem prejudices. The Soviet Republic, once proclaimed, would receive aid from Tashkent against any British Indian opposition. To this end, Russia must increase her military supplies in Central Asia to assure adequate resources of one month for an army actually at war.

During 1929 the anger of Soviet imperialists towards Britain was given violent expression. *Izvestia*, in an issue dedicated to the tenth anniversary of Afghan independence, warned its readers that above the Indo-Afghan frontier

hovers the spirit of Disraeli, which dreams of extending the frontier of India to the Hindu Kush and then to the Amu Daria River in the heart of Central Asiatic Russia. The writer continued: 'We are at present watching the realization of the highly aggressive plans of British imperialism in Central Asia. The program of Beaconsfield and Curzon is now being realized by Stanley Baldwin, who has just declared: "The world will soon see with jealousy a new diamond in the crown of the Emperor of India." No one doubted that Baldwin had in mind Afghanistan, and it is as a reply to the English Prime Minister that Amanullah declared, when asked the goal of his journey: "I am going to show Europe that Afghanistan can occupy its proper place in the world."'

For ten months Afghanistan was a prey to the rival armies of Bacha Sakao and Nadir Khan. On October 10, 1929, the forces of Nadir Khan, under the command of his brother, then Afghan minister to Paris, entered Kabul. Five days later Nadir Khan became king and shortly afterwards pronounced a sentence of death on his late rival, Bacha Sakao.

Again there were mutual press recriminations on the part of Russia and Britain. In both countries the newspapers printed doubtful reports which often were hardly better than rumors, and to authentic news they gave a partisan interpretation. The Russian press accused England of having furnished arms and subsidies to General Nadir Khan and of having urged the turbulent tribes along the Indo-Afghan frontier to give him their support. The Indian newspapers, especially those printed in English, pretended that Russia had continued to support Bacha Sakao after the abdication of Amanullah.

The assurances given by the new king Nadir Khan, that his government would continue to follow the same foreign policy as that of his predecessor, Amanullah, satisfied the two neighboring powers. Britain and Russia *Izvestia* probably expressed the official Soviet attitude when it said: 'The government

will be stable and will lead the country back to peace if it has profited by the lessons of civil war, if it takes a decisive stand against the feudal and clerical reaction, if it gives satisfaction to the immediate needs of the peasants, if it guarantees the rights of its national minorities, and if it adopts in its foreign policy a conduct which will systematically and surely lead to the complete independence of Afghanistan." But *Izzestia* saw many obstacles in the realization of stable government in Afghanistan. The treasury was empty, the national economy was disorganized, the peasant population had been ruined by civil war; there was disunion among the tribes, a growing feudal and clerical reaction and the threat of British aggression from the Indo-Afghan frontier. Should, however, the government of Nadir Khan try to meet these obstacles, the true friends of Afghanistan would rally to his cause. These true friends, of course, were the U. S. S. R., Turkey and Persia. Their collaboration would be a most important guarantee for peace in Central Asia.

Soviet Russia's relation to the new Afghan government was well defined. By making Nadir Khan realize the weaknesses of his position and the dangers which threatened him from India, it hoped to become the protector of Afghan independence. But Nadir Khan, who had now adopted the title of Nadir Shah, was not a man to be intimidated. The country was, it is true, in a condition bordering upon anarchy, and there was grave uneasiness among the tribes, some of which were in open conflict with the central government at Kabul. It was necessary to begin immediately the work of reconstruction, of rehabilitating the devastated regions, and of restoring tranquillity and authority among the frontier tribes. The task was difficult but not impossible. The military and moral prestige of Nadir Shah gave promise of lasting results. But destiny willed otherwise. In November 1933 Nadir Shah was assassinated after four years of wise and firm government. He left his country and his throne to a son hardly twenty years old.

With the advent of the new king, Mohammed Zahir Shah, the partisans of Soviet Russia, who had been held in check by the late king, believed the moment propitious for a rapprochement with Moscow. But the Anglophile party, which has always been strong at Kabul, outwitted them. Mohammed Zahir Shah was wise enough to adopt the only sensible policy for a country where a period of renaissance was well under way, namely to strengthen his position as much as possible with both Russia and Britain but without subordinating himself to either.

The question of Russian émigrés from Turkestan, always a cause of concern to the Soviet Government, seems to have been resolved to general satisfaction. Moscow has often proposed that these émigrés should be sent back to their homes, but Kabul has always refused because of public sympathy with the émigrés, who are considered to be persecuted on account of their fidelity to Islam. Under pressure from Moscow, the Afghan government has now agreed to transfer to more southern provinces those of the émigrés who had settled close to the Russian frontier. Britain, on its side, has obtained satisfaction in the matter of closing the Afghan frontier to Indian rebels, and in the promise made by the Kabul government to prevent Afghan tribes along the Indian border from participating in acts hostile to British authority.

# SOME RECENT BOOKS ON INTERNATIONAL RELATIONS

*By William L. Langer*

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## *General Political and Legal*

**THE PRICE OF PEACE** BY FRANK H SIMONDS AND BROOKS EMENY New York Harper, 1935, 380 p \$3 00

A study of international developments since 1919, with stress on the basic incompatibility of the demands for security and economic opportunity, and the consequent danger of another war. A fuller textbook edition, with additional maps and charts, has been published by the American Book Co (New York 1935, 656 p \$3 75)

**FAREWELL TO REVOLUTION** BY EVERETT D MARTIN New York Norton, 1935, 380 p \$3 00

An effective book, analyzing the revolutionary process in the past, with especial stress on its mass psychological aspects. The author doubts if it has ever, or will ever, solve any problem.

**POLITICAL ETHICS** BY DANIEL S ROBINSON New York Crowell, 1935 288 p \$2 00

A reexamination of the ethical bases of politics with a discussion of the relation of the ideal to the actual in the Soviet state, the dictatorial state, democracies, etc.

**THE STATE IN THEORY AND PRACTICE** BY HAROLD J LASKI New York Viking 1935, 299 p \$3 00

The latest work of a well known political theorist, analyzing the nature of the modern state with reference especially to the development of dictatorial forms and the evidences of class domination. The analysis is more satisfactory than the conclusions. The only defense against fascism, in the author's view, lies in a root and branch change in the present economic order, both nationally and internationally, all of which leads him to advocate a form of state lying somewhere in the grey area between socialism and communism. The book is written in the author's usual felicitous style. One of the important works of the quarter.

**DELIVER US FROM DICTATORS!** BY ROBERT C BROOKS Philadelphia University of Pennsylvania Press, 1935, 257 p \$2 50

A brisk indictment of dictatorships of all forms, aiming to prove that they are neither necessary nor desirable, in crisis or out, and that democracies do their jobs much better. Concluding chapters have special reference to the American situation.

**DICTATORSHIP IN THEORY AND PRACTICE** BY GEORGE P GOOCH London Watts 1935, 50 p 1/

The Conway Memorial Lecture, in which the lecturer, an eminent English liberal, comes to much the same conclusions as the preceding author.

**CHALLENGE TO DEMOCRACY** BY C DELISLE BURNS New York Norton, 1935, 240 p \$2 50

Like the two preceding titles, this book attacks the evils of dictatorship in all its forms and urges social equality as a protection for democracy.

**DEMOCRACY FACES THE FUTURE.** By SAMUEL EVERETT. New York: Columbia University Press, 1935, 279 p. \$2.50.

Another plea for the remodelling of the democratic system.

**SOCIALISM, FASCISM, COMMUNISM.** EDITED BY JOSEPH SHAPLEN AND DAVID SHUB. New York: American League for Democratic Socialism, 1934, 239 p. \$1.50.

Primarily a compilation of materials.

**THE POST-WAR WORLD.** By J. HAMPDEN JACKSON. London: Gollancz, 1935, 520 p. 6s.

A well-balanced review of political and economic developments in the world at large since 1918.

**THE GEOGRAPHICAL PATTERN OF MANKIND.** By JOHN E. POMFRET. New York: Appleton-Century, 1935, 443 p. \$4.00.

An introduction to the study of human geography.

**LA POPULATION DANS LE MONDE.** By GASTON BOUTHOU. Paris: Payot, 1935, 256 p. Fr. 18.

An admirable, concise discussion of the problem in its historical development and at the present time.

**DER NACHRICHTENVERKEHR IM DIENSTE VON PRESSE UND WIRTSCHAFT.** By FRIEDRICH WINKIN. Leipzig: Buske, 1934, 106 p. M. 4.80.

A review of the organization of modern news services, their relation to the press, and their cultural importance.

**PROBLÉM PRÁVNÍHO POSTAVENÍ HLAVY STÁTU V DEMOKRACII.** By JAROSLAV KREJČ. Prague: Moderní Stát, 1935, 145 p. Kc. 40.

A scholarly study of the constitutional position and powers of the chief of state in European democracies.

**INTERNATIONAL ORGANIZATION.** By R. YORKE HEDGES. New York: Pitman, 1935, 222 p. \$3.00.

A general handbook of international government under the League system.

**LA NEUTRALITÉ ET LA PAIX.** By NICOLAS POLITIS. Paris: Hachette, 1935, Fr. 12.

A Greek jurist and statesman argues that neutrality has become an anachronism and that the only alternative is a system of collective security based upon international coöperation.

**PEACE AND THE PLAIN MAN.** By SIR NORMAN ANOELL. New York: Harper, 1935, 345 p. \$2.50.

One of the leading champions of peace restates the position which he took long ago, arguing for the need of superseding national sovereignty and of organizing a League with teeth.

**LA GUERRE MODERNE.** By GENERAL SIKORSKI. Paris: Berger-Levrault, 1935, 248 p. Fr. 15.

A brilliant, concise analysis of modern war and its problems, by an outstanding Polish soldier and statesman.

**WAR IS A RACKET.** By SMEDLEY D. BUTLER. New York: Round Table, 1935, 51 p. \$1.00.

A colorful and erratic ex-marine views his lifelong profession.

**SPYING STILL GOES ON.** COMPILED BY HEINZ ECKE. New York: Loring and Mussey, 1935, 220 p. \$2.50.

The present system described by four professionals, British, German, French and Russian.

**INTERNATIONALISM AND DISARMAMENT.** By MARY E. WOOLLEY. New York: Macmillan, 1935, 44 p. \$1.00.

A lecture delivered by one of the American delegates to the Disarmament Conference, dealing not only with the work done at Geneva but with the larger problems of peace.

**LA CONFÉRENCE DU DÉARMEMENT** By PIERRE COULON Paris Librairie Générale de Droit, 1935, 240 p Fr 30

A systematic legal study of the conference and its achievements.

**CLASHING TIDES OF COLOR.** By LOTHROP STODDARD New York Scribner, 1935, 414 p \$3 00

The author is already well known for his writings on racial problems and movements. In this latest work he undertakes a sweeping survey of recent developments in Europe, which, he believes, reveal the disintegration of the western world. The rest of the volume is devoted to Asia and Africa, where the author sees a similar process as well under way, so that the whole world seems headed for chaos.

**ANTI-SEMITISM** By INGRAM HUGHES Los Angeles American Nationalist Publishers, 1935, 98 p \$1 50

A general brief survey of the status of anti-Semitism throughout the world.

**THE JEW AND THE WORLD FERMENT** By BASIL J MATHEWS New York Friendship Press, 1935, 186 p \$1 50.

A sympathetic discussion of the Jewish problem and the causes of anti-Semitism.

**WE JEWS** By GEORGE E SOKOLSKY New York Doubleday, 1935, 328 p \$2 50

Another examination, with a plea for mutual understanding.

**ALMANACH DE GOtha** Gotha Justus Perthes, 1935, 1374 p

The most recent edition of a standard genealogical, diplomatic and statistical work.

### *General Economic*

**CONTROLLING DEPRESSIONS** By PAUL H DOUGLAS New York Norton, 1935, 286 p \$3 00

An American economist re-examines the causes of depression and analyzes various suggested remedies.

**GESCHICHTE DER KRISE.** By R. LEWINSOHN Leipzig Tal, 1934, 228 p

One of the best systematic accounts of the development of the world economic crisis.

**LA FINANCE MALADE.** By ANDRÉ METZLIANU Paris Revue du Centre, 1935, 118 p Fr 12.

Primarily a plea for a stabilized currency.

**LA PAIX ÉCONOMIQUE** By HENRI HAUSER Paris Colin, 1935, 185 p Fr 10 50.

An excellent survey of the modern economic world, by an eminent French historian and economist.

**ECONOMICS IN PRACTICE** By A C PICOU London Macmillan, 1935, 134 p 4/6

A series of lectures by an English authority, concerned entirely with current issues.

**THE NATURE OF THE CAPITALIST CRISIS** By E ST LOE STRACHEY New York Covici Friede, 1935, 406 p \$3 00

The author of "The Coming Struggle for Power" here attempts a critique of capitalist theory and concludes with a reaffirmation of Marx's theories of value and of crises. In places the author seems beyond his depth.

**STUDIES IN CAPITAL AND INVESTMENT** Ed. by G D H COLE London Gollancz, 1935, 320 p 12 6

A collection of interesting essays by English economists. The essays, unfortunately, are not part of a general plan and the book lacks coherence.

**CAPITALISM AND ITS CULTURE.** By JEROME DAVIS New York Farrar and Rinehart, 1935, 573 p \$3 50.

A restatement of the case for capitalism, with some consideration of the arguments advanced against it.

**CAPITALISM CARRIES ON.** BY WALTER B. PITKIN. New York: McGraw-Hill, 1935, 293 p. \$1.75.

The author identifies the capitalist system with the middle class and expatiates on the danger lest this class be crushed between big business and the labor element.

**THE FUTURE OF MONETARY POLICY.** New York: Oxford University Press, 1935, 229 p. \$4.00.

This is the report of a group of members of the Royal Institute of International Affairs who have been studying monetary problems during the last two years. It comprises much valuable discussion of the depression and of suggested remedies.

**MONETARY POLICY AND ECONOMIC STABILISATION.** BY ARTHUR D. GAYER. New York: Macmillan, 1935, 288 p. \$3.00.

A reconsideration of the gold standard and a criticism of what the author holds to be outmoded ideas.

**THE EXCHANGE EQUALISATION ACCOUNT.** BY N. F. HALL. New York: Macmillan, 1935, 115 p. \$3.00.

An English authority discusses the principle of the Equalization Account and developments since its establishment three years ago.

**MONEY AND CREDIT.** BY RAY V. LFFLER. New York: Harper, 1935, 513 p. \$4.50.

A discussion of money problems for the general reader.

**THE INTERNATIONAL MONEY MARKETS.** BY JOHN T. MADDEN AND MARCUS NADLER. New York: Prentice-Hall, 1935, 561 p. \$5.00.

Primarily a descriptive study, including also an analysis of the currency and banking systems of the financial powers.

**THE THEORY OF MONEY AND CREDIT.** BY LUDWIG VON MISES. New York: Harcourt, 1935, 445 p. \$4.50.

The English translation of a basic work by one of the economists of the Vienna school.

**MONETARY OPINIONS AND POLICY.** BY MARY T. RANKIN. London: King, 1935, 170 p. 6/.

Lectures in which an economist of the University of Edinburgh takes to task advocates of new-fangled ideas.

**THE RÔLE OF MONEY.** BY FREDERICK SODDY. New York: Harcourt, 1935, 224 p. \$2.00.

The writer objects to the bankers' control of credit and pleads for state control and the establishment of a steady price level.

**DÉFLATION ET DÉVALUATION.** Paris: Maison Co-opérative du Livre, 1935, 476 p. Fr. 45.

An important book, being the report of the debates and papers presented to a French conference on monetary problems, both national and international.

**CREDIT AND INTERNATIONAL TRADE.** BY BARNARD ELLINGER. New York: Macmillan, 1935, 206 p. \$3.00.

An account of how the machinery of credit and international trade actually works.

**IL BOICOTTAGIO.** BY ROBERTO MICHELS. Turin: Einaudi, 1934, 136 p. L. 12.

The economic and political aspects of the boycott, with special reference to Indian boycotts of British goods and the German boycott of the Jews. The author is a well-known Italian sociologist.

**WORLD DISLOCATION AND WORLD RECOVERY.** BY W. H. C. KNAPP. London: King, 1935, 213 p. 10/6.

The author argues that agriculture holds a special position in the economic organization of society and that the depression is in large measure due to neglect of its needs.



**DER KAMPF UM DIE WELTMACHT** **ÖL** By A ZISCHKA Leipzig Goldmann, 1934 238 p M 3 80

Like so many treatments of the world oil problem, this is sensational and highly dramatized

**PRINCIPLES OF ECONOMIC PLANNING** By G D H COLE Toronto Macmillan, 1935, 459 p \$1 75

An English socialist insists that the main point about planning is that it must provide for the manufacture and distribution of money by the state.

**ON ECONOMIC PLANNING** EDITED BY MARY L. FLEGOERUS AND MARY VAN KLEECK. New York Covici Friede, 1935, 275 p \$3 00

A collection of papers read at a study conference of the International Industrial Relations Institute.

### *International Relations of the United States*

**INTERNATIONAL SECURITY** By PHILIP C JESSUP New York Council on Foreign Relations, 1935, 156 p \$1 50

An uncompromisingly realistic survey of the extent to which the United States is likely to cooperate with other nations in efforts to maintain world peace. The author, Professor of International Law at Columbia University, has had the assistance of a group of experts representing a variety of American interests

**A HISTORY OF AMERICAN FOREIGN RELATIONS** By LOUIS M SEARS New York Crowell, 1935, 2nd ed, 720 p \$3 50

A revised edition of a general text, now brought down to the present day

**DER AUFSTIEG DER VEREINIGTEN STAATEN ZUR WELTMACHT** By FRIEDRICH LUCKWALDT Berlin De Gruyter, 1935, 176 p M 1 62

The American student will not learn much from this survey, but it indicates a growing European interest in the history of American foreign policy

**THE NEED FOR CONSTITUTIONAL REFORM** By WILLIAM Y ELLIOTT New York McGraw Hill, 1935, 296 p \$2 50

Cutting to the roots of the present crisis, the author argues that the needs of our present complicated social and political structure cannot be successfully met by a constitution devised a century and a half ago to fit an entirely different set of problems. Much of the book is taken up with the question of the relation of government to business. Politically, the author sees a need for a great strengthening of the powers of the executive, a recasting of the state organization, and a revamping of our civil service

**FASCISM AND CITIZENSHIP** By GEORGE NORLIN Chapel Hill University of North Carolina Press 1935, 108 p \$1 00

Lectures by the President of the University of Colorado who after seeing nazism in operation in Germany, pleads for a return to the basic principles of Americanism

**PERSONAL HISTORY** By VINCENT SHEEAN New York Doubleday, 1935, 403 p \$3 00

A narrative of adventure and observation in some of the world crises of the past fifteen years, by a young American journalist

**GOVERNMENT IN A PLANNED ECONOMY** By ARTHUR N HOLCOMBE New York Norton, 1935 173 p \$3 00

A stimulating discussion of the urgent problem of training for, and the organizing of, an adequate administrative system

**THE BLUE EAGLE FROM EGG TO EARTH** By HUGH S JOHNSON New York Doubleday, 1935, 459 p \$3 00

In his usual forceful manner the former head of the NRA tells the story of the organization, its methods and achievements

**LABOR, INDUSTRY AND GOVERNMENT.** By MATTHEW WOLL. New York: Appleton-Century, 1935, 341 p. \$2.00.

The vice-president of the A. F. of L. discusses the history and principles of the American labor movement, with some reference to international movements of the same sort. Much of the book is taken up with a consideration of the relations of labor to the New Deal.

**LA RÉORGANISATION BANCAIRE AUX ÉTATS-UNIS ET LA CRISE DU DOLLAR.** By LOUIS-ÉMOND SUSSFELD. Paris: Rousseau, 1935, 310 p. Fr. 35.

A technical, scholarly study of the financial side of the American crisis.

**DAS WIEDERAUFBAUWERK ROOSEVELTS UND SEINE RECHTLICHEN GRUNDLAGEN.** By E. BASCH. Zurich: Fussli, 1935, 250 p. M. 6.40.

A treatment of the juridical and constitutional aspects of New Deal policies.

### *The World War*

**THE CAUSES OF THE WORLD WAR.** By CAMILLE BLOCH. London: Allen and Unwin, 1935, 224 p. 7/6.

The English translation of the most recent presentation of the French arguments regarding the origins of the war. A much-discussed book.

**VIENNA E BELGRADO.** By R. SEGRE. Milan: Corbaccio, 1935, 500 p. L. 20.

An important detailed study of the history of Austrian-Serbian relations in the period from 1876 to 1914.

**DIE MILITÄRISCHEN BEZIEHUNGEN UND VEREINBARUNGEN ZWISCHEN DEM DEUTSCHEN UND DEM ÖSTERREICHISCHEN GENERALSTAB VOR UND BEI BEGINN DES WELTKRIEGES.** By GERHARD SEYFERT. Leipzig: Moltzen, 1934, 138 p.

A useful collation of the material on the military agreements between Berlin and Vienna, long the subject of debate between war historians.

**ROAD TO WAR.** By WALTER MILLIS. Boston: Houghton, 1935, 475 p. \$3.00.

An interesting study of the progress of the United States towards entrance into the World War, by the author of "The Martial Spirit."

**ANTONIO DI SAN GIULIANO E LA POLITICA ESTERA ITALIANA DAL 1900 AL 1914.** By F. CATALUCCIO. Florence: Le Monnier, 1935, 173 p. L. 16.

A contribution to the history of Italian pre-war policy, with special reference to Italy's relation to the Triple Alliance after 1900.

**LA VIE DU PRINCE SIXTE DE BOURBON.** By PHILIPPE AMIGUET. Paris: Éditions de France, 1935, Fr. 15.

A useful biography of the man who acted as intermediary in the abortive Austrian-French peace negotiations.

**LA STRATÉGIE ALLEMANDE EN 1918.** By GENERAL LOIZEAU. Paris: Berger-Levrault, 1935, 136 p. Fr. 15.

An authoritative study, by a prominent French strategist.

**ESPIONNAGE ET CONTRE-ESPIONNAGE À BRUXELLES PENDANT LA GUERRE.** By HENRI BINDER. Paris: Payot, 1935, 164 p. Fr. 12.

An account of the activities of the various intelligence services at the important Brussels center.

**LA GUERRE SECRÈTE EN ALSACE.** By COMMANDANT LADOUX. Paris: Librairie des Champs Élysées, 1935, Fr. 7.50.

An interesting contribution by the former chief of the French intelligence service.

**MILITARY OPERATIONS, FRANCE AND BELGIUM, 1918.** By BRIGADIER-

GENERAL J. E. EDMONDS AND MAJOR A. F. BECKE New York Macmillan, 1935, 3 v  
\$4.25 \$2.25, \$2.00

The latest part of the British official history, covering the German offensive of March 1918

RUSSLANDS WEG NACH TANNENBERG BY JOACHIM VON KURENBERG Berlin  
Gutenberg, 1934, 271 p

A monograph on the early campaigns of the Russians and on Hindenburg's great victory

TANNENBERG, AOÛT 1914 BY RUDOLF VAN WEHRT Paris Payot, 1935, 256 p  
Fr. 18

The French translation of a technical treatment of the Tannenberg campaign

DIE LETZTE FRONT BY J. BISCHOFF Berlin Buchtrießdruck, 1935, 270 p M. 4.90

The little known story of the famous German Iron Division and its activities in the Baltic area in 1919, by its former commander

LE TRE BATTAGLIE DEL PIAVE BY MARSHAL CAVIOLLA Milan Mondadori,  
1934, 320 p L. 15

A vigorous account of the three battles of the Piave, with much comment on political affairs and the armistice negotiations, by one of Italy's foremost soldiers

KRIEG IN DER WÜSTE BY H. EISORUBER Berlin Schlegel, 1934, 175 p M. 4

One of the few accounts of the Palestine campaign from the Turkish-German side. It covers the whole period 1914-1918

POLICIES AND OPINIONS AT PARIS, 1919 BY GEORGE B. NOBLE New York  
Macmillan, 1935, 475 p \$3.50

This is one of the interesting books of the quarter. It consists of a general review of the armistice and peacemaking of 1918-1919, with special reference to the conflict between the new ideology of Wilson and the hoary policies of men like Clemenceau, as well as the general bearing of public opinion on the work of the negotiators. The author is under no illusion about what might have been done, pointing out that even if all the statesmen had been better intentioned they could hardly, on the spur of the moment, have calmed the public passions which they themselves had whipped up by years of propaganda.

THE TREATY OF VERSAILLES AND AFTER BY LORD RIDDELL AND OTHERS  
New York Oxford University Press, 1935, 192 p \$1.50

This is another book that deserves attention. In the first section, Lord Riddell and Professor C. K. Webster discuss the setting and problems of the Peace Conference. In the second, Professor A. J. Toynbee analyzes its work. In the third, spokesmen of the leading countries review the treaty as it presents itself to their compatriots today.

VERSAILLES NACH FÜNFZEHN JAHREN BY KARL SCHWENDEMANN Berlin  
Zentralverlag, 1935, 230 p M. 4

This volume deserves to be classed with the two preceding titles. The author, a well-known German writer on foreign affairs, reviews the main provisions of the peace, analyzes them critically and then studies the present status of revision. The book contains some forty maps and charts.

THE TREATY OF TRIANON EDITED BY NINA ALMOND AND RALPH H. LUTZ  
Stanford Stanford University Press, 1935, 742 p \$6.00

One of the excellent documentary studies of the Hoover War Library. In addition to a careful review of the history and provisions of the treaty, there is a survey of the documents of the Supreme War Council.

### *Western Europe*

LA CRISE DE L'EUROPE BY ANDRÉ SIEGFRIED Paris Calmann Lévy, 1935, 132 p  
Fr. 8

This latest book of a well-known French economist deals chiefly with the threat to European supremacy implied in the recent economic development of extra-European countries such as the United States, the British Dominions and Japan.

**L'ORA DECISIVE DELL'EUROPA.** By F. GUALTIEROTTI. Milan: Hoepli, 1935, 240 p. L. 16.

An examination of various schemes for a Pan-Europe, a Mittel-Europa, etc.  
**FRANKREICHS WIEDERAUFSTIEG ZUR WELTMACHT UND ZUM EMPIRE.** By G. ROLOFF. Berlin: De Gruyter, 1935, 130 p. M. 1.62.

Though this is intended for the layman, it can be recommended as a thoroughly reliable survey of French foreign policy which is of interest even for the student.

**FRANCE IN DANGER!** By ANDRÉ TARDIEU. London: Archer, 1935, 288 p. 15/.

A fundamental book, in which the former Prime Minister discusses not only his proposals for constitutional reform but also the needs of French policy resulting from recent developments in Germany.

**FRANCE IN FERMENT.** By ALEXANDER WERTH. New York: Harper, 1935, 309 p. \$3.00.

Easily one of the best discussions of the French crisis in domestic as well as in foreign affairs. The author, Paris correspondent of the *Manchester Guardian*, gives a critical account of affairs since the collapse of the Cartel des Gauches.

**RAYMOND POINCARÉ.** By GABRIEL HANOTAUX. Paris: Plon, 1935, Fr. 7.50.

A tribute to the late statesman and a study of his career, by one of France's foremost historians.

**DOUMERGUE ET LES POLITICIENS.** By JACQUES FISCHER. Paris: Le Journal, 1935, 256 p. Fr. 12.

Supposedly the former President's own explanation of why he could not save France.  
**FRANCIA.** By A. BASSI. Turin: Schioppo, 1934, 264 p. L. 30.

A technical study of French military thought and organization before and after 1914.  
**LA BELGIQUE ET L'ÉQUILIBRE EUROPÉEN.** By J. WULLUS-RUDIGER. Paris: Berger-Levrault, 1935, 356 p. Fr. 18.

This is an important book, given over to a detailed analysis of Belgium's position in the decade preceding the outbreak of the Great War. Much of its importance lies in the fact that the author has had access to materials in the Belgian Foreign Office, and that he has used the military reports on which the German authorities based much of their planning and acting. The originals of these reports are in the Hoover War Library and the present publication is made in accord with Professor Lutz.

**HISTORIA DE ESPAÑA.** By MODESTO GARCIA. Madrid: Espasa-Calpe, 1934, 252 p. Pes. 2.50.

A general survey, with emphasis on the more recent period.

**THE LAST KING.** By WARRE B. WELLS. London: Muller, 1934, 307 p. 7/6.

A strong but rather uncritical indictment of Alfonso XIII and his policies.

**CUATRO AÑOS DE EXPERIENCIA REPUBLICANA.** By JUAN CASTRILLO. Madrid: Bergua, 1934, 315 p. Pes. 5.

A convenient guide to recent Spanish developments.

**ANARQUÍA O JERARQUÍA.** By SALVADOR DE MADARIAGA. Madrid: Aguilar, 1934, Pes. 6.

A keen critique of the ideas of liberalism and democracy, together with suggestions for a Spanish constitution, by a prominent Spanish diplomat.

**LA CONSTITUCIÓN ESPAÑOLA DE 9 DE DICIEMBRE DE 1931.** By ANTONIO ROYO VILLANOVA. Valladolid: Castellana, 1934, 357 p. Pes. 5.

A critical edition of the constitution, with comment.

**ITALIA E JUGOSLAVIA** By G PARESC Florence Bemporad 1935, 327 p L. 20

A systematic review of the Italian Yugoslav relationship from 1915 to 1929

**L'ÉTAT CORPORATIF EN ITALIE** By GEORGES BOURGIN Paris Montaigne, 1935, 256 p Fr 15

An excellent study of the origins and organization of Italian syndicates and their evolution into the corporative state, by an authoritative French scholar

**DIE FASCHISTISCHE WIRTSCHAFT** Edited by G DOBBERT Berlin Hobbing, 1934, 231 p M 8.40

A survey of all aspects of Italian economic life, by a group of German and Italian experts

**LA LIRA ET LA POLITIQUE ÉCONOMIQUE DU GOUVERNEMENT FASCISTE** By CHARLES BILLET Paris Rousseau, 1935, 232 p Fr 36

A technical monograph on fascist monetary policy

**GLI INGLESI A MALTA** By A PRESTINENZA Catania Istituto Editoriale, 1935, 860 p L. 5

An encyclopedic work on all aspects of British rule in Malta, as seen from the Italian angle.

**MODERN AUSTRIA** By CECILY HAMILTON London Dent, 1935, 250 p 7/6

The author's books on Russia, Germany and Italy are well known. She offers here another of her understanding surveys.

**ÖSTERREICHS EUROPÄISCHE SENDUNG** By O M FIDELIS Vienna Reinhold, 1935, 108 p M 1.10

Revives the old story of the cultural mission of the Hapsburgs

**KANZLER DOLLFUSS** By H MAURER Graz Styria, 1934, 114 p M 2.50

A handy little biographical sketch, well illustrated

**L'AUSTRIA NON EI TOCCA** By ANTONIO ALBERTI POIA. Brescia Vannini, 1934, 216 p L. 10

A survey of Austria since the war, with a description of the reasons why Austria must be kept apart from Germany

**PERCHÉ DIFENDIAMO L'INDIPENDENZA DELL'AUSTRIA** By C A AVENATI Turin Chiantore, 1934, 120 p L. 9

A review of the Austrian problem since the time of Metternich, with due consideration of present-day conditions

**POLITISCHE GESCHICHTE VON BISMARCK BIS ZUR GEGENWART** By WILHELM MOSHSEN Frankfurt Diesterweg, 1935, 261 p M 5.80

The author, an able German historian, goes back to about 1850 and studies the vicissitudes of liberalism till its overthrow by the forces of the new Germany

**DAS DRITTE REICH** By G RÜHLE Berlin Hummel, 1935, 455 p M 18

The first volume of an indispensable chronicle and documentary collection being published under the auspices of the Reichsarchiv. This volume covers the year 1933

**THE NAZI DICTATORSHIP** By FREDERICK L. SCHUMANN New York Knopf, 1935, 494 p \$3.00

Written by a professor at the University of Chicago, this is one of the most valuable studies of German developments yet to appear. The book, well-documented on every page, first treats in detail of the situation which made possible Hitler's rise to power, and examines the history of the regime to date. The second part of the volume is devoted to a critical examination of the machinery of Nazi rule, and here the author lays particular stress on the use of scapegoats, on the dramatization of external dangers, real and imaginary, and on the methods of education. The conclusions are anything but favorable to this and other fascist systems.

**THE NAZI DICTATORSHIP.** By ROY PASCAL. London: Routledge, 1934, 285 p. 10/6.

A communist attack on the Nazis, interesting chiefly for the treatment of their economic and social policies.

**FROM BISMARCK TO HITLER.** By LOUIS L. SNYDER. Williamsport: Bayard, 1935, 178 p. \$2.50.

A study of the evolution of German nationalist thought from Bismarck through Treitschke to Bernhardt and Hitler, with emphasis on the importance of the press, of education, of military propaganda, etc.

**GOD AMONG THE GERMANS.** By PAUL F. DOUGLASS. Philadelphia: University of Pennsylvania Press, 1935, 338 p. \$3.00.

An analysis of the Nazi mentality and of Nazi methods, with special reference to the conflict of the Protestant Church with the new paganism.

**HINDENBURG AND THE SAGA OF THE GERMAN REPUBLIC.** By EMIL LUDWIG. Philadelphia: Winston, 1935, 550 p. \$3.50.

Ludwig here reviews the story of Germany since the war and manages to debunk the character and achievements of the late President.

**POLICE POLITIQUE HITLÉRIENNE.** By XAVIER DE HAUTECLOCQUE. Paris: Nouvelle Revue Critique, 1935, Fr. 12.

Purports to reveal the inner structure of the Hitler régime and its methods of action.

**VOM RINGEN HITLERS UM DAS REICH.** By K. R. GANZER. Berlin: Zeitgeschichte, 1935, 158 p. M. 1.50.

A fairly important narrative, written originally to serve as a supplement to Hitler's book "Mein Kampf," which it brings down to date.

**WIR BAUEN DAS DRITTE REICH.** By W. FRICK. Oldenburg: Stalling, 1934, 112 p. M. 1.60.

Speeches and essays of the Minister of the Interior.

**GERMANY IN MY TIME.** By M. SEATON WAGNER. London: Rich, 1935, 254 p. 6/.

The author, an Englishwoman married to a German, gives a vivid and discerning account of German life during the war and of the post-war crisis of the middle classes.

**A NATION TERRORIZED.** By GERHART SEGER. Chicago: Reilly and Lee, 1935, 204 p. \$1.50.

Six months' experience in a German concentration camp, by a former Social Democratic member of the Reichstag.

**FATHERLAND.** By KARL BILLINGER. New York: Farrar and Rinehart, 1935, 282 p. \$2.50.

The trials and tribulations of a young communist who ended up in a concentration camp.

**FÜNFZEHN JAHRE PUBLIZISTISCHER KAMPF UM DIE SAAR.** By H. BALDAUF. Saarbrücken: Saarbrücker Drockerei, 1934, 210 p. M. 4.50.

A doctoral dissertation which deals with an important aspect of the Saar problem — the history of German propaganda.

**DEUTSCHE AGRARPOLITIK AUF GESCHICHTLICHER GRUNDLAGE.** By MAX SERING. Leipzig: Buske, 1934, 194 p. M. 6.

The most concise treatment available of the history of German agrarian policy, by a leading German authority.

### *Eastern Europe*

**ČESKOSLOVENSKÁ VLASTIVĚDA.** Prague: Sfinx, 1933, 811 p. Kč. 330.

The fourth and concluding volume of this great history gives an admirable account, written by specialists, of the history of the Czech lands before 1918.

**DIE ENTSTEHUNG DER TSCHECOSLOWAKISCHEN REPUBLIK** By E STRAUSS Prague Orbis, 1934, 354 p M 5

A history of Czech policy before, during and just after the war

**JACI JSME** By FERDINAND PEROUTKA Prague Borovy, 1934, 211 p Kč 25

A critical and by no means always complimentary analysis of the Czech national character, by an able Czech journalist.

**NARODNOSTNÍ VYVOJ ZEMÍ ČESKOSLOVENSKÝCH** By KAMIL KROTTA Prague Orbis, 1934 104 p Kč 16 50

Lectures by an eminent Czech historian on the foundations of Czech nationality and nationalism

**BUDOVÁNÍ STATU** By FERDINAND PEROUTKA Prague Borovy, 1934, 1372 p Kč 11

The second volume, covering the year 1919, of a monumental critical history of the Czechoslovak Republic

**POLEN** By A GOTTLIEB Vienna Perles, 1935, 403 p M 7 20

A descriptive and historical work, with stress upon the cultural policies and developments of the new Poland

**POLONIA DOGGI** By D LISCHI Pisa Nistri, 1934, 203 p L 8

Similar to the preceding but more strictly political in its interest

**LE MARÉCHAL PIŁSUDSKI** By PAUL BARTEL Paris Pion, 1935, Fr 13 50

A general biography of the Polish dictator

**WIRTSCHAFT UND KULTUR DER BALTISCHEN STAATEN** By J MORZINS Riga Livonia, 1934 120 p M 4

An historical and political survey of Latvia, Estonia and Lithuania, with some discussion of projects for federalism

**DIE LITAUISCHE WILLKÜRHERRSCHAFT IM MEMELGEBIET** By R. PREGEL Berlin Grenze und Ausland, 1934, 64 p M 30

A concise survey of the Memel problem, together with an indictment of Lithuanian policy

**DER LITAUISCH-POLNISCHE STREIT UM DAS WILNAGEBIET** By MAR TYNAS ANYSAS Würzburg Triltsch, 1934, 74 p

A doctoral dissertation which goes over the familiar ground of the quarrel and carries the story to 1931

**HISTORY OF THE RUSSIAN REVOLUTION** By WILLIAM H CHAMBERLIN New York Macmillan, 1935, 2 v \$10 00

A sound, critical account of the revolution to about 1921, with a collection of key documents A work of importance

**THE MURDER OF THE ROMANOV'S** By PAUL BULYGIN New York Macmillan, 1935, 286 p \$3 00

The book adds little to the report of Sokolov, but contains interesting contributions by Kerensky and Pares dealing with the question of the withdrawal of the British offer of asylum to the imperial family

**ARMED INTERVENTION IN RUSSIA, 1918-1922** By W P AND SELDA K. COATES London Gollancz, 1935, 400 p 10/6

A markedly biased account of the intervention by writers who are all on the side of the Bolsheviks

**ARMEE OHNE HEIMAT** By S VON MARKOW Vienna Heger, 1934, 344 p M 4.80

The campaigns of Wrangel, Koltchak, Denikin and Yudenitch

**OUTLINE HISTORY OF THE COMMUNIST PARTY OF THE SOVIET UNION** By N Popov New York International Publishers, 1935, 2 v \$6 00

The translation of the sixteenth edition of a standard Russian history of the working-class movement and the Communist Party.

**SOCIALISM VICTORIOUS.** London: Lawrence, 1935, 735 p. 5/.

The addresses to the seventeenth Congress of the Soviet Union in February 1934 of Stalin, Molotov, Kaganovich and other prominent leaders, covering economic, administrative, military and other matters.

**BOLSCHEWISTISCHE WELTMACHTPOLITIK.** By A. NORMANN. Bern: Gottelf, 1935, 287 p. M. 10.

A history of the Third Internationale and its activities.

**L'U.R.S.S. DANS LE MONDE.** By JEAN MARQUES-RIVIÈRE. Paris: Payot, 1935, 368 p. Fr. 25.

A study of Russian domestic and foreign affairs in the period since 1918.

**I SPEAK FOR THE SILENT.** By VLADIMIR V. TCHERNAVIN. Boston: Hall, Cushman and Flint, 1935, 368 p. \$2.50.

The striking story of a Russian technical expert who was accused of counter-revolutionary activity and tried by the G. P. U.

**THE GRINDING MILL.** By PRINCE A. LOBANOV-ROSTOVSKY. New York: Macmillan, 1935, 387 p. \$2.50.

The diaries and reminiscences of a Russian aristocrat during the war, the revolution and the counter-revolution. An interesting document.

**I CHANGE WORLDS.** By ANNA LOUISE STRONG. New York: Holt, 1935, 422 p. \$3.00.

The autobiography of an American journalist, who went to Russia in 1921 and became a member of the Communist Party.

**MOSCOW CARROUSEL.** By EUGENE LYONS. New York: Knopf, 1935, 371 p. \$3.50.

Sketches of life in the Soviet Union, by one who stayed there six years as correspondent of the United Press.

**SOVIET JOURNEY.** By LOUIS FISCHER. New York: Smith and Haas, 1935, 308 p. \$2.50.

A record of many journeys in Soviet Russia, by an able defender of the Bolshevik régime.

**THE SOVIET UNION AND INTERNATIONAL LAW.** By T. A. TARACOUZIO. New York: Macmillan, 1935, 530 p. \$7.50.

This is an important, scholarly study, based in large measure upon Russian materials. The author sets out to show how the Soviets, despite their feeling of separateness and their hostility to a bourgeois world, were nevertheless obliged to adjust themselves to the requirements of international intercourse. He discusses learnedly and in detail the Bolshevik conceptions of international law and the peculiarly Bolshevik interpretations. Due attention is paid to the significance of recognition by the United States and of Russia's entrance into the League. The book should have interest for all students of international affairs.

**ECONOMIC PLANNING IN SOVIET RUSSIA.** By BORIS BRUTSKUS. London: Routledge, 1935, 252 p. 10/6.

A vigorous and able criticism of Marxian theory followed by a dissection of the claims made for the first Five Year Plan.

**RELIGION AND COMMUNISM.** By JULIUS F. HECKER. New York: Wiley, 1935, 303 p. \$3.00.

The author of "Moscow Dialogues" reviews the whole course of religious development in Russia before the revolution, and the Soviet policy of persecution.



**MOVED ON!** By P S NAZAROFF London Allen and Unwin, 1935, 317 p 12/6

Continues the author's remarkable "Hunted through Central Asia," telling the story of his prolonged flight from Kashgar to Kashmir

**DAWN OVER SAMARKAND** By JOSHUA KUNITZ New York Covici Friede, 1935, 348 p \$3 00

An account of recent developments in the new republics of Central Asia under the Bolshevik régime

**CHANGING ASIA** By EGON E KISCH New York Knopf, 1935, 267 p \$3 00

The translation of an Austrian journalist's account of the Bolshevik accomplishment in Uzbekistan and Tajikistan

**MEN OF SIBERIA** By HUGO HUPPERT New York International Publishers, 1935, 325 p \$1 50

The translation of a young German's favorable impressions of Bolshevik industrial progress in Siberia.

**LA TRAGÉDIE DU DANUBE** By ANTOINE RÉDIER Paris Revue Française, 1935

The author calls for a Danubian alliance as the only hope of checking the eastward expansion of Germany

**LA TERRORISME DEVANT LA SOCIÉTÉ DES NATIONS** By F S CHANOAN Paris France les Balkans, 1935, 300 p Fr 15

A violent attack upon the Hungarians for encouraging terrorism

**ORDEAL THE STORY OF MY LIFE** By QUEEN MARIE OF ROUMANIA New York Scribner, 1935, 473 p \$3 75

This second volume of Queen Marie's memoirs covers the period of the World War. It is not without historical value, especially regarding Rumania's entrance into the conflict.

**YUGOSLAVIA A NEW COUNTRY AND ITS PEOPLE** By GRACE ELLISON London Lane, 1935, 318 p 5/-

A general descriptive work for the layman

**LA VIE ET LA MORT D'ALEXANDRE I** By CLAUDE EYLAN Paris Grasset, 1935, Fr 15

A superficial biography, by an admirer of the late King

**HEROES AND ASSASSINS** By STOYAN CHRISTOWE New York McBride, 1935, 289 p \$3 00

The story of the Macedonian struggles for freedom, told by an American writer of Macedonian birth with much native exuberance and disregard of the fine distinctions between fact and fable

### *The British Commonwealth of Nations*

**ENGLANDS WELTPOLITIK ALS GLEICHGEWICHTSPOLITIK** By HUGO PRELLER Berlin De Gruyter, 1935, 138 p M 1 62

A survey of British foreign policy since about 1815, by an able German historian

**THE REIGN OF KING GEORGE THE FIFTH** By D C SOMERVELL New York Harcourt, 1935, 541 p \$3 00

This is probably the best of many jubilee histories

**THE KING'S GRACE** By JOHN BUCHAN London Hodder, 1935, 327 p 5/-

Another good survey of the King's reign and of English history in the past quarter century

**FREDERICK EDWIN, EARL OF BIRKENHEAD.** By FREDERICK W. F., SECOND EARL OF BIRKENHEAD. London: Butterworth, 1935, 319 p. 21/.

This is the second volume of the authoritative life of the late British statesman. It is interesting chiefly for the light it throws on the Irish settlement and on the Indian constitutional problem.

**LE RÉGIME PARLEMENTAIRE ANGLAIS CONTEMPORAIN.** By P. H. SIREY. Paris: Sirey, 1935, 247 p. Fr. 40.

A serious, scholarly study of the British parliamentary system, by a Frenchman educated in England.

**CHALLENGE.** By LIEUTENANT-COLONEL GRAHAM S. HUTCHINSON. London: Hutchinson, 1935, 320 p. 8/6.

The author calls for the establishment of a guild state and the introduction of a generally Fascist program.

**THE COMMUNIST ATTACK ON GREAT BRITAIN.** By G. M. GODDEN. London: Burns, 1935, 87 p. 1/6.

Revealing the activities of the Third International.

**UNITY, NATIONAL AND IMPERIAL.** By H. MARTIN LEAKE. London: Allen and Unwin, 1935, 320 p. 8/6.

In reality a collection of essays on agricultural problems and land settlement in England and the Empire.

**THE ARMY IN MY TIME.** By J. F. C. FULLER. London: Rich, 1935, 246 p. 6/.

A prominent British military writer reviews the development of the forces since about 1900, severely criticizing both the military and civil administration and calling for radical reforms.

**THE FINANCIAL ADMINISTRATION OF SAROSTAT EIREANN.** By J. B. O'CONNELL. Dublin: Brown, 1935, 242 p. 7/6.

A systematic study of Irish financial affairs.

**OUR HERITAGE AND OTHER ADDRESSES.** By HERBERT A. BRUCE. New York: Macmillan, 1934, 408 p. \$3.50.

A collection of speeches by the Lieutenant-Governor of Ontario.

**DIE SÜDAFRIKANISCHE UNION.** By KARL HEINRICH DIETZEL. Berlin: Koloniale Rundschau, 1934, 294 p.

A well-documented study of the historical development, organization, problems and policies of the South African Union.

**THE LAW AND CUSTOM OF THE SOUTH AFRICAN CONSTITUTION.** By W. P. M. KENNEY AND H. J. SCHLOSSBERG. New York: Oxford University Press, 1935, 680 p. \$12.00.

Another authoritative treatment.

**TURMOIL AND TRAGEDY IN INDIA.** By SIR GEORGE MACMUNN. London: Jarrolds, 1935, 18/.

A somewhat sensational account of happenings in India since 1914, by a well-known writer on Indian affairs.

**THE INDIAN STRUGGLE.** By SUBHAS C. BOSE. London: Wishart, 1935, 354 p. 12/6.

One of the leaders of the extreme radical wing tells the story of India's struggle since 1920.

**STEPS TOWARDS INDIAN HOME RULE.** By THE MARQUESS OF ZETLAND. London: Hutchinson, 1935, 128 p. 5/.

An instructive little collection of lectures on the constitutional problem, by a statesman who has been closely bound up with Indian affairs in recent years

**THE INDIAN NATIONAL CONGRESS** By F M DE MELLO New York Oxford University Press, 1934, 121 p 75 cents

An historical outline

**THE NEW EMPIRE** By K M PANIKKAR London Hopkinson, 1934, 131 p 3/6

A keen critique of Britain's past policies, but also of the Indian separatist movement. The author pleads for intelligent coöperation

### *The Near East*

**ELEMENTS D'UNE BIBLIOGRAPHIE FRANÇAISE DE L'APRÈS GUERRE POUR LES ÉTATS SOUS MANDAT DU PROCHE-ORIENT** By PHILIPPE J BIANQUIS Beirut American University, 1934, 208 p

An excellent bibliography of some three thousand titles, which might well be extended to the literature in English and other languages

**THE TRAGEDY OF THE ASSYRIANS** By LIEUTENANT COLONEL R S STAFFORD London Allen and Unwin 1935, 235 p 8/6

The author, for years a British official in Iraq, reviews the development of the problem since 1914, tells the story of the massacres of 1933 and exonerates the British of responsibility

**ÉVOLUTION POLITIQUE DE LA SYRIE ET DU LIBAN, DE LA PALESTINE ET DE L'IRAK** By J ACHKAR Paris Librairie du Foyer, 1935, Fr 15

A general, systematic study, which fills a distinct need

**LA SYRIE** By R P LAMMENS Paris Librairie du Foyer, 1935, 2 v, Fr 20

An excellent general history of Syria, by a Jesuit writer

**PALESTINA D'OGGI** By FRANCO CERENZANI Brescia Vannini, 1934, 400 p L. 12

A record of travel, with a discussion of politics and problems.

**JEWS IN PALESTINE** By A REVUSKY New York Vanguard, 1935, 390 p \$3 50

A convenient description of recent developments

**KETAVIM U TEUDOTH** Tel Aviv Mapai, 1935, 201 p

A documentary history of Palestine and especially of the labor movement, edited by the Central Committee of the Palestine Labor Party

**IL YEMEN NELLA STORIA E NELLA LEGGENDA** By CESARE ANSALDI Pome Arti Grafiche, 1934 266 p L. 25

A beautifully illustrated book on the little known Yemen region, published under the auspices of the Ministry for Colonies

### *Africa*

**ALLGEMEINE LANDERKUNDE VON AFRIKA** By F KLUTE Hannover Hahn, 1935, 298 p M 9

A scholarly work on the geography and ethnology of Africa, by a German expert

**THE MONETARY SYSTEM OF EGYPT** By MOHAMMED ALI RIFAAT London Allen and Unwin, 1935 206 p 7/6

A valuable contribution. The author, a trained economist, discusses the whole economic life of Egypt as well as the working of the financial institutions

**L'ALGÉRIE VIVRA T-ELLE?** By MAURICE VIOLETTE Paris Alcan, 1935, 504 p Fr 20

A survey of current problems, by a former Governor General

**LIBERIA IN WORLD POLITICS.** By NNASIDI AZIKIWE. London: Stockwell, 1935, 406 p. 7/6.

An important book, written by a Liberian who was for a time professor of political science in an American university. The author gives a sound, documented account of the history of Liberia, but devotes a major part of the book to the developments and problems of recent years, especially the coming of the rubber interests and the rise of the forced labor problem. There is a full discussion of Liberian nationalism and of Liberia's international position, especially her relations to the League.

**HISTORICAL LIGHTS OF LIBERIA'S YESTERDAY AND TO-DAY.** By ERNEST J. YANCY. Xenia, Ohio: Aldine, 1934, 323 p. \$2.50.

A good historical sketch.

**FÜNFZIG JAIRE TOGO.** By A. FULL. Berlin: Reimer, 1935, 280 p. M. 6.

A detailed monograph on Togoland, with an excellent bibliography.

**HELL-HOLE OF CREATION.** By L. M. NESBITT. New York: Knopf, 1935, 390 p. \$3.75.

One of the outstanding travel books of recent times, being the story of a mining engineer's experiences in Abyssinian Danakil.

### *The Far East*

**NANKIN CONTRE TOKIO.** By HENRY CASSEVILLE. Paris: Berger-Levrault, 1934, 224 p. Fr. 15.

A well-informed narrative of events in China between 1928 and 1933, followed by the story of the Sino-Japanese conflict.

**MUST WE FIGHT IN ASIA?** By NATHANIEL PEPPER. New York: Harper, 1935, 244 p. \$2.50.

A somewhat dogmatic analysis of the conflict of imperialist forces in the Far East, by a writer who regards war as inevitable unless the entire social system of Japan and the United States is changed.

**THE FOUR HUNDRED MILLION.** By MARY A. NOURSE. Indianapolis: Bobbs-Merrill, 1935, 375 p. \$3.50.

A well-written and illustrated survey of Chinese history, by a woman long resident in the interior. The emphasis is on cultural history, though fully half of the book is devoted to the developments of the last hundred years.

**MANCHURIA, CRADLE OF CONFLICT.** By OWEN LATTIMORE. New York: Macmillan, 1935, 343 p. \$3.00.

A revised edition of a book published three years ago, with new chapters on events since 1931.

**THE CASE FOR MANCHOUKUO.** By GEORGE BRONSON REA. New York: Appleton-Century, 1935, 436 p. \$3.50.

A complete presentation of the case for the new state and a defense of Japanese policy, by a "counselor" of the Ministry for Foreign Affairs of Manchukuo. The gist of his argument is that Manchuria was not Chinese, that the revolution there was a bona fide affair, and that Japanese policy in Manchukuo was necessary as a protection against communism and Bolshevik advances. He makes many suggestions for averting a conflict between Japan and the United States.

**TOWARD UNDERSTANDING JAPAN.** By SIDNEY L. GULICK. New York: Macmillan, 1935, 270 p. \$2.00.

An American who has known the Japanese intimately, re-examines their problems and policies in the hope of explaining the situation and minimizing the danger of conflict with the United States. The author lays great stress on the population problem and the

economic difficulties of Japan, though he is by no means uncritical. He surveys also the development of American Japanese relations and ends with a plea for friendship. The United States can contribute, he thinks, by changing its financial policies in the Far East, by accepting the existing facts with regard to Manchuria, and by revising its immigration policy with respect to the Japanese.

**BEHIND THE FACE OF JAPAN** By UPTON CLOSE New York Farrar and Rinehart, 1935, 409 p. \$3.00

A frequent writer on Far Eastern affairs gives what seems a somewhat hysterical account of the Japanese menace.

**RIDING THE TIGER** By HARRY CARR Boston Houghton, 1934, 262 p. \$2.50

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### AIR TRANSPORT

ORGANISATION for Communications and Transit Air Transport Co-Operation Committee. Special Sub-Committee to Study the Question of the Constitution and Operation of a Main Network of Permanent Air Routes. Economics of Air Transport in Europe. Report submitted to the Sub-Committee by M. Henri Bouché. Geneva, 1935. 73 p. maps, charts. 27 cm. (League of Nations, C. 97. M. 44. 1935. VIII. 1.)

### ANIMAL DISEASES

- I. INTERNATIONAL Convention for the Campaign against Contagious Diseases of Animals. Geneva, 1935. 9 p. 33 cm. (C. 77. M. 33. 1935. II. B. 1.)
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### ARMAMENT — BRITISH

FLEETS. The British Commonwealth of Nations and Foreign Countries, Particulars of the Fleets of the British Commonwealth of Nations, United States of America, Japan, France, Italy, Soviet Union, and Germany, on the 1st day of February, 1935, distinguishing, both built and building, Battleships, Battle Cruisers, Cruisers, Cruiser Minelayers, Minelayers, Armoured Coast Defence Vessels, Monitors and Netlayers, Aircraft Carriers, Flotilla Leaders and Destroyers, Torpedo Boats, Submarines, Sloops, Coastal Motor Boats, Gunboats and Despatch Vessels, River Gunboats and Minesweepers. London, 1935. 96 p. 24½ cm. (Cmd. 4817.) 1s. 6d.

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CONFERENCE Documents. Volume II. Geneva, 1934. p. 283-736. 33 cm. (League of Nations, 1935. IX. 4.)

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EXCHANGE of Notes between His Majesty's Government in the United Kingdom and the National Government of the Republic of China relating to Land Tenure and Taxation in the Former British Concessions at Hankow and Kukiang, Nanking, October 27, 1934. London, 1935. 3 p. 24½ cm. (Treaty Series No. 5 (1935) Cmd. 4836.) 1d.

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HAITI. Annual Report of the Fiscal Representative for the Fiscal Year October, 1933-September, 1934. Submitted to the Secretary of State for Finance and Commerce of the Republic of Haiti, and the Secretary of State of the United States of America. Port-au-Prince, Imprimerie de l'Etat, [1935]. v, 188 p. 23½ cm.

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BULLETIN de l'Office international des instituts d'archéologie et d'histoire de l'art. Première Année. Vol. I. No. 1. Paris, 1934. (Institut International de Coopération Intellectuelle.)

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**TIN INVESTIGATION** Report of the Subcommittee of the House Committee on Foreign Affairs on H Res 404, 73d Congress 2d Session and H Res 71, 74th Congress, 1st Session, to Authorize an Investigation into the extent to which the United States is dependent upon Foreign Nations for its Supply of Tin, and for Other Purposes Parts 1-3, 1934-1935 Washington, 1935 v, 111 p 23 cm

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